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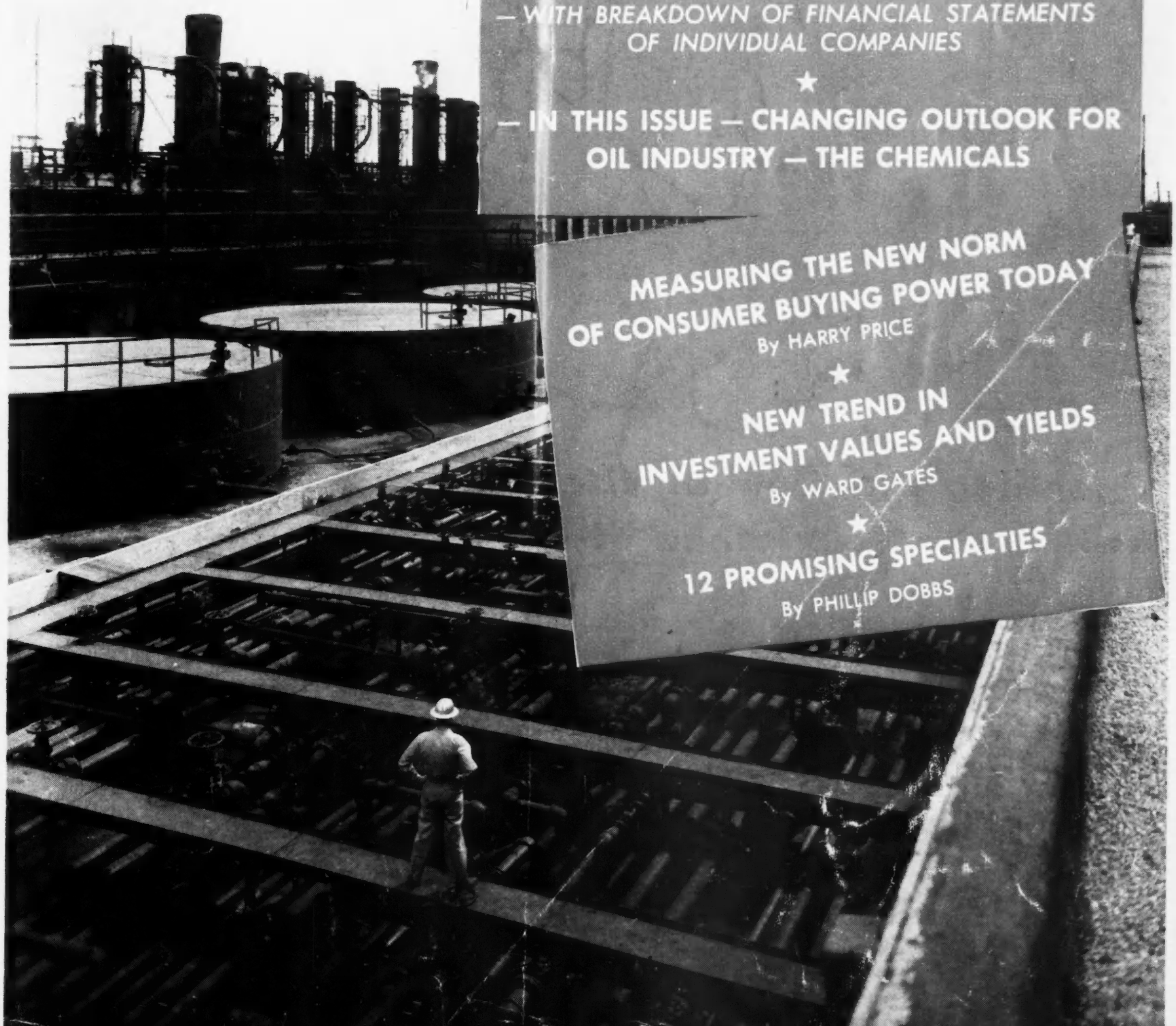

— WHICH STOCKS — IN WHICH INDUSTRIES

NEW STUDIES OF MAJOR INDUSTRIES

— WITH BREAKDOWN OF FINANCIAL STATEMENTS OF INDIVIDUAL COMPANIES

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— IN THIS ISSUE — CHANGING OUTLOOK FOR OIL INDUSTRY — THE CHEMICALS

MEASURING THE NEW NORM OF CONSUMER BUYING POWER TODAY

By HARRY PRICE

★

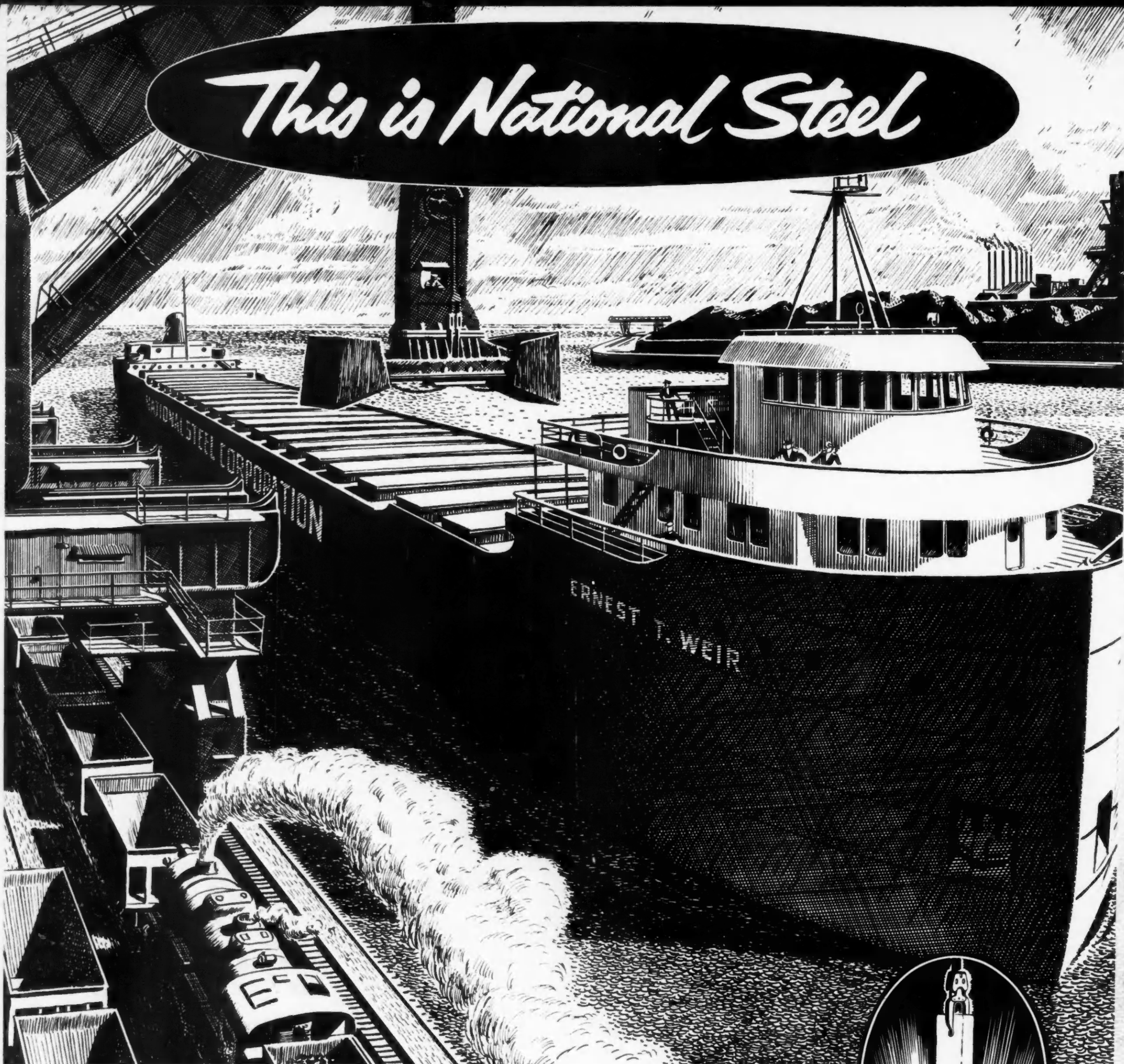
NEW TREND IN INVESTMENT VALUES AND YIELDS

By WARD GATES

★

12 PROMISING SPECIALTIES

By PHILLIP DOBBS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CONTENTS

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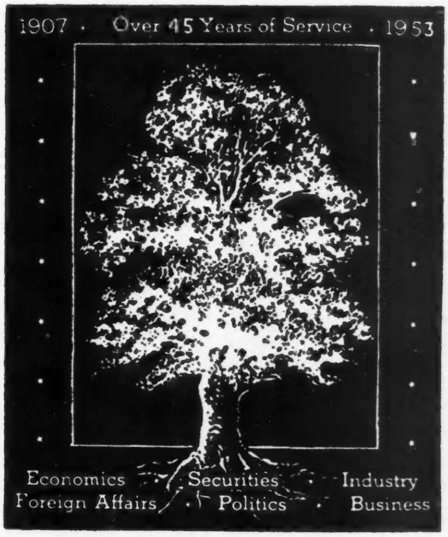
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

PEACE OVERTURES FROM MOSCOW AND AMERICAN POLICY . . . From Washington's point of view, Malenkov's peace moves have been timed to cause the greatest degree of embarrassmnt. It is not that the end of fighting in Korea will not bring happiness to our leaders as well as to the public at large. It is rather that the new, adroit diplomacy of the Kremlin threatens to unleash a vast set of unprecedented problems for our government both at home and abroad, this at a time when the Administration has not yet found its bearings.

The situation is difficult because our government has been completely oriented to cold war strategy and has not been able to foresee that with the death of Stalin, the new rulers of Russia might reverse the tactics which marked his regime in late years.

Apparently, the Soviets are preparing a universal detente which, now in its initial stages, is already commencing to have a profound effect throughout the world. So far as American policy is concerned, decisions on such vital problems as the future of Japan, South Korea, Formosa and Indo-China, among other Far Eastern situations, may have to be shaped by considerations more applicable to a "cold peace" than a "cold war". This will undoubtedly require, on our part, an entirely different approach to global problems. In Europe, for example the future of Germany as an ally of the free world would be quite doubtful if the Soviets should amplify their current conciliatory gestures through specific and tempting proposals for reunification. This would be difficult for the German people to resist. At the very least, the first Russian moves in this direction may have already placed the Adenauer Cabinet in danger, with the outcome of the approaching elections in considerable doubt.

On our home front, the established program of defense and budgetary requirements has been thrown into confusion and officials in Washington are busily engaged in recasting their estimates. They must move warily and proceed on two diametrically opposed assumptions: first, that the Soviets, actuated by uncertainty as to the solidity of their present regime, may require peace and may make the required sacrifices in order to obtain it from a suspicious world, and, second, alternatively that their current moves may be part of a vast potential trap which we must make every effort to avoid.

The government, therefore, is confronted with a task which will require the most skillful kind of maneuvering and the most delicate balancing of all our resources. It must be admitted that the problems posed by a possible "peace", or long-term truce, because they have been thrown so quickly and suddenly into the world arena, have enormously increased the difficulties faced by Washington. To meet this challenge, our leaders will have to draw on all their resourcefulness and powers of adaptability.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

THE TEST AT HAND . . . Not much has been heard of late

of the Keynesian approach to the solution of national economic problems but with the first inkling that the cold war may eventually fade, there are already voices being raised—in the best manner of the British theorist—that the government will have to fill in the gap, in the event business should decline. Whatever may be said in behalf of the economic measures put into play in the early days of the New Deal, there is no question that the country long ago came to the conclusion that these measures had outlived their usefulness. In any event, the new Administration was elected largely on the premise that it would interfere as little as possible with the natural flow of the economic life of the nation. For that reason, it seems doubtful, should a recession occur, that the government would openly intervene with the type of rescue operations which typified the Roosevelt and Truman Administrations. This is not to say that the government should not lay down long-range and effective plans for combatting a serious recession, should it occur. But it can do so effectively without boondoggling operations.

We have been accustomed for so long to government manipulation of economic controls that perhaps it is not surprising, at the very first signs of approaching trouble, that cries should be raised for federal intervention. In answer to this, we say: give business a fair chance to meet whatever test is at hand. It has learned a great deal about its ultimate responsibilities in the past two decades. It should have the fullest opportunity to show through effective, broad-gauged policies that it is capable of meeting whatever legitimate demands may be laid upon it in the interest of a smooth transition in the economy.

DO IT NOW!... Representative Simpson of the House Ways and Means Committee has taken a long step forward in introducing a bill that frankly has for its objective the encouragement of equity investments through making some important changes in the capital-gains provision of the tax law. Under the proposals, the holding period on long-term capital gains would be abbreviated from six to three months; the limit of capital losses against ordinary income would be raised from $1,000 to $2,000; and finally, the first $200 of dividend income would be exempt from taxation.

We have many times stated our position that the capital-gains clause in the law is both inequitable and costly both to the Treasury and investors. Under the New Deal and Fair Deal Administrations it was too much to expect that the necessary reforms would be instituted as both Administrations were pursuing political objectives in turning a deaf ear to investors' complaints against the capital gains tax. With the new Administration now in power, there is good reason to believe that the necessary changes will be effected. The question, however, is whether the Administration—and Congress—will decide to act this year or next. For our part, we can't see a valid reason for a delay. So we say, "Do it now!"

MUDDLE IN MUNICIPAL FINANCE . . . The deplorable condition of New York City finances has been clearly exposed in Gov. Dewey's drastic proposals for reconstruction of the shaky edifice. While this publication is not concerned with details concerning public reforms, whether instituted by the State or City authorities; it is not amiss to point out that the metropolis is not the only sinner in this respect and that financial weaknesses undoubtedly can be found in many other City and State governments throughout the land.

This more or less general situation is by no means the result solely of malfeasance or official neglect as is commonly alleged though this charge can fairly be leveled against some City and State bureaucrats. Closer to the seat of trouble has been the lack of foresight and preparedness to deal with the forces of inflation which greatly affected public finance, especially during the war and post-war periods. In proof of this, it would take but a cursory examination of current budgets to reveal that expenses have been far outpacing revenue and that provisions had not been made to counteract these forces through an adequate and equitable system of taxation.

The fact is that too many Cities and States are handling their affairs as if they were operating in the early part of the twentieth century. Outworn methods of obtaining revenues are still in use and projects are undertakn without rgard to sound methods of financing. With populations increasing and needs of servicing these people multiplying at the same time that costs are rising, it is imperative that an effective system be devised so that the financial burden is distributed fairly and effectively.

The fundamental problems persist regardless of party in power and can be solved only on the basis of a modern and sound economic administration. A number of communities have recognized the merit of this approach and have turned to a non-political form of government by appointing highly-trained "city managers", in place of the old-fashioned mayors and obsolete "Boards of Estimate". We live in a rapidly changing age requiring new methods in public administration and communities must adjust themselves to these changes.

REVISING THE ANTI-TRUST LAWS . . . Perennial attempts to modernize our antiquated anti-trust laws may finally come to fruition in the not too-distant future. It seems, for example, that the Commerce Department has requested the American Bar Association to furnish suggstions whereby the barnacles now encrusting this ancient law may be removed.

The anti-trust statutes originally were devised to prohibit monopolies and monopoly practices. At the time they were enacted, they were desirable and necessary as competition was being stifled by the then undue concentration of power in a comparatively small number of large corporations. In the half century or more in which these laws have been applied, large corporations have become larger but whereas they were monopolistic in the older economic setting at the turn of the century this is no longer true to-day.

Even in those industries in which only a few companies have the bulk of the business – automobiles and tires, for example – competition is very lively. Nevertheless, these and other industries may be sued by the government under the anti-trust laws because of some technical infringement no longer valid.

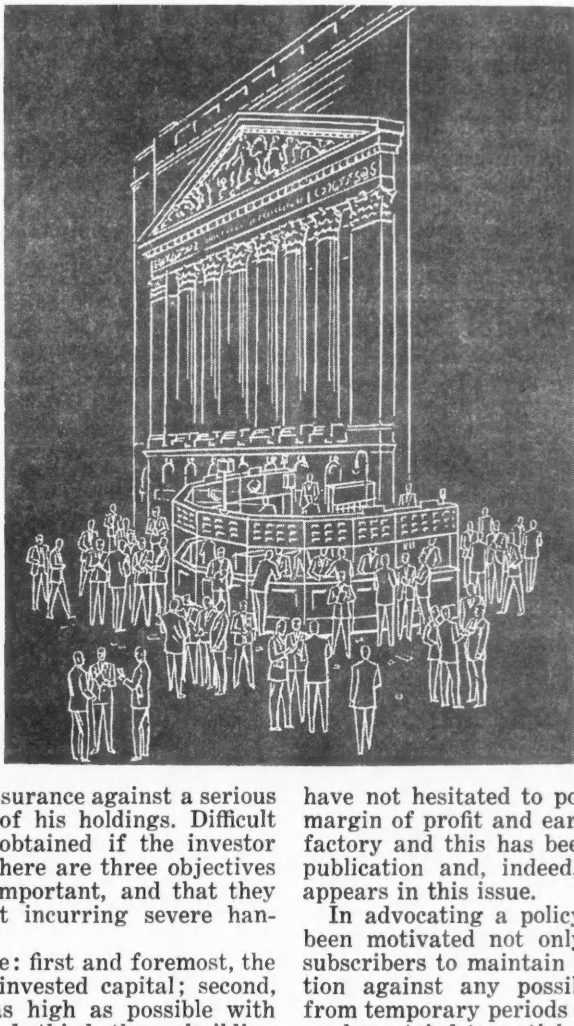
What is necessary is a complete revamping of the anti-trust laws. They are out-of-date and should be so realigned as to preserve the best features of the old laws at the same time eliminating all provisions which, while ostensibly intended to promote competition, actually tend to stifle it.

As I See It!

BY E. D. KING

A PROTECTIVE SHIELD FOR YOUR INVESTMENTS

The recent sharp downturn in stock values, which followed in the wake of the first Soviet overtures for peace, furnished a good object lesson in the necessity of applying sound long-range principles in investment managment and avoiding acts based on emotional reactions to unexpected events. During the decline, many investors abandoned previous soundly-conceived plans for investment and in unreasoning fear hastily dumped stocks indiscriminately.



Such action is entirely contrary to the basic concept of investment, the very purpose of which is to protect the investor against impulsive and ill-considered moves. In other words, if his plans have been laid out intelligently and have been carefully followed, he has already reasonably provided, so far as is humanly possible for any sudden shift or change in the investment atmosphere that might cause a decline in security values.

For what the investor should be seeking is not insurance against the decline in any individual stock that he may be holding—which, of course, is impossible— but rather insurance against a serious decline in the *total* value of his holdings. Difficult as it seems, this may be obtained if the investor firmly holds in mind that there are three objectives in investing, that all are important, and that they cannot be ignored without incurring severe handicaps

These three objectives are: first and foremost, the safeguarding of the total invested capital; second, the obtaining of income as high as possible with strict regard to safety; and, third, the upbuilding of capital through long-term growth in equity values.

The objectives described are basic to any investment program that deserves the name. It is obvious that they have very little to do with short-range considerations, with trading, outright speculating or the like. The latter can have no part in a sound investment program.

In full appreciation of the essential requirements in sound investment, The Magazine of Wall Street has not failed to urge that its subscribers pursue a conservative policy. Especially, since the end of 1951, when it became apparent that the problem of investing in specific equities would become more complex with the increasing changes in economic conditions, we have advocated a policy with a two-fold purpose. First, we have suggested that subscribers segregate not less than forty percent of their capital in the form of sound bonds and, if necessary, short-term issues, or cash. This had the object of protecting the investor against any severe decline in the market that might develop. Second, we have favored investment in stocks with a definitely assured earning power and whose dividend coverage was ample. This was to assure the investor of a continued flow of income with a high degree of reliability.

At the same time, we have not hesitated to point out situations in which margin of profit and earnings were no longer satisfactory and this has been a regular feature of our publication and, indeed, a listing of such stocks appears in this issue.

In advocating a policy of conservatism we have been motivated not only by the desire to aid our subscribers to maintain the strongest possible position against any possible contingencies resulting from temporary periods of doubt or uncertainty, but we have tried to anticipate the time when the possession of a large degree of liquid assets would place the subscriber in the enviable position of being able to take advantage of any future opportunities that might arise.

In instances where (*Please turn to page* 138)

— Market Adjustment Still Incomplete —

Uncertainty stemming from or highlighted by the Communist "peace drive" has accentuated a market reaction that had already begun anyway, following the abortive March recovery. Trend indications are not yet conclusive. Your position is a comfortable one, with reserves of 40%, if you have followed our conservative, selective policy. The latter is unchanged.

By A. T. MILLER

Over the fortnight since our last previous analysis was written the stock market had the sharpest spill, on the heaviest volume of trading, seen in many months. It culminated, at least for the time being, with nearly 6 points being knocked off the Dow industrial average in the single session of Monday, April 6. That was followed by a modest rally, on reduced volume, which began to falter toward the end of last week, leaving the market on the defensive and presumably subject to further test in the absence of more effective support than is visible at this writing.

The successive waves of selling were popularly attributed to—and undoubtedly were triggered by—the widely publicized Communist "peace offensive": a paradoxical term in a topsy-turvy world in which we have neither peace nor war in the old meaning of these words. Certainly the Red maneuverings create some new uncertainties. But the effect is also to sharpen or heighten all the other uncertainties which had been with us, or were lurking around the corner, by focusing attention on them. It is always that way when investment sentiment veers sharply to the cautious side as a result of a surprise news development or even of a sudden market reversal associated with no fresh news.

Sagging Tendency Aggravated

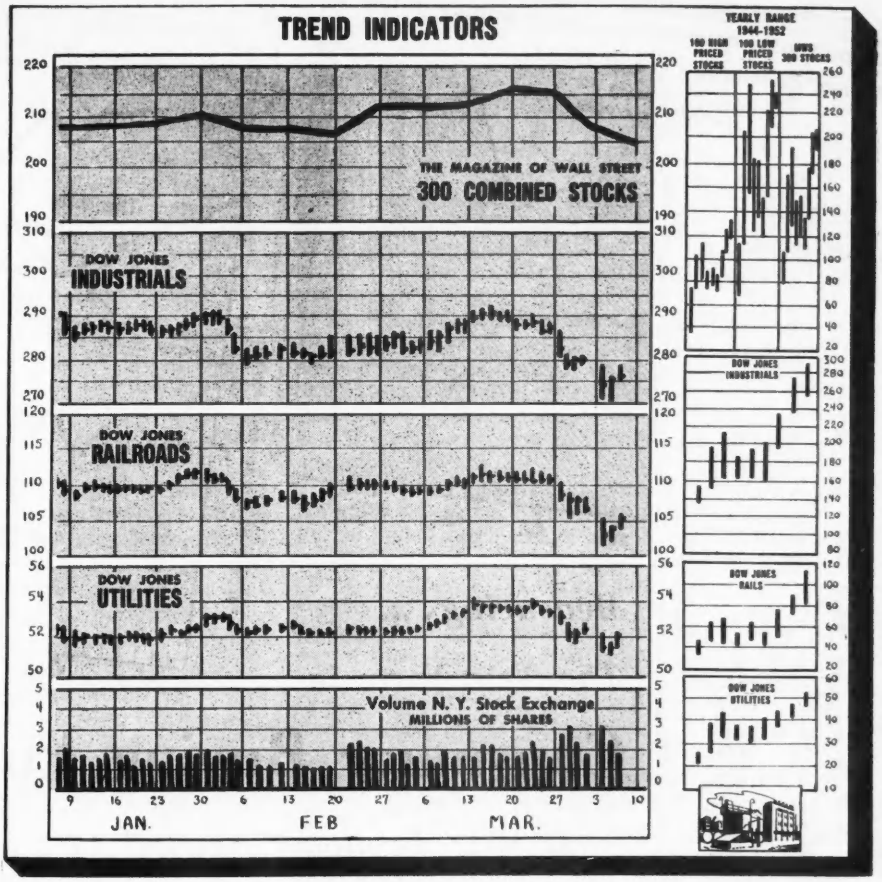
It is probable that, even without any Communist peace talk to unsettle it, the market would have reacted anyway, although at a more moderate pace. Consider the background. The majority of investors and traders view market trend in terms of the Dow industrial and rail averages, or similar measures of a sampling of prominent stocks, without reference to the general run of secondary stocks which at times can cause our broad weekly index to perform better – or worse – than the more narrowly based averages which so many people watch for trend-direction clues. The Dow industrial averages, and all comparable averages, reached the high point to date early last January, after three and a half years of general advance—if so selective a rise can be called "general." The rail average made its corresponding high last December.

Both reacted moderately into February, then turned up to the March 17 rally highs, where offerings stopped them short of the prior major highs. Both were drifting downward for more than a week before increasing news emphasis on Communist peace gestures, and hope for a Korean armistice, converted the sagging tendency into a temporary rout, resulting in a decisive penetration of the February lows by both averages.

That zig-zag downward pattern of the Dow, and other widely followed, averages is viewed by some as probably indi-

cative of a minor bear market; by others as possibly indicative thereof. Anyway you look at it, the performance and the news have made enough people bearish ,cautious or doubtful to reduce demand for stocks, and to induce a somewhat greater willingness to sell, up to this writing, whether under emotional pressure on weakness or opportunistically on minor rallies.

So far as the technical pattern is concerned, some reservations are in order. In the first place, a "penetration" of a presumably significant support level—the February lows in this instance—may or may not have prohetic significance. As we have pointed out before, bull or bear "signals" by the Dow averages have proved to be wrong about as often as right in this modern, largely investment-dominated market. In the second place, more weight could logically be attached to the violation of the February lows if it had not been caused by sudden, emotional response to news. It remains to be seen what the market will do on second thought and on calmer perspective—a test that could take some weeks.

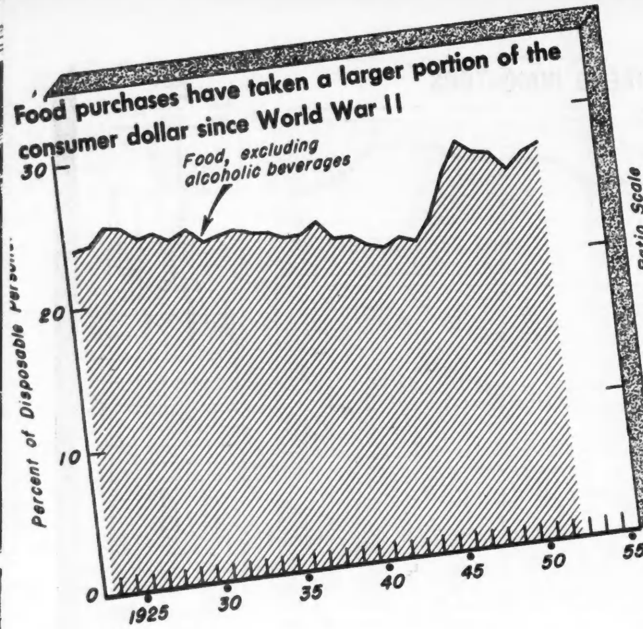


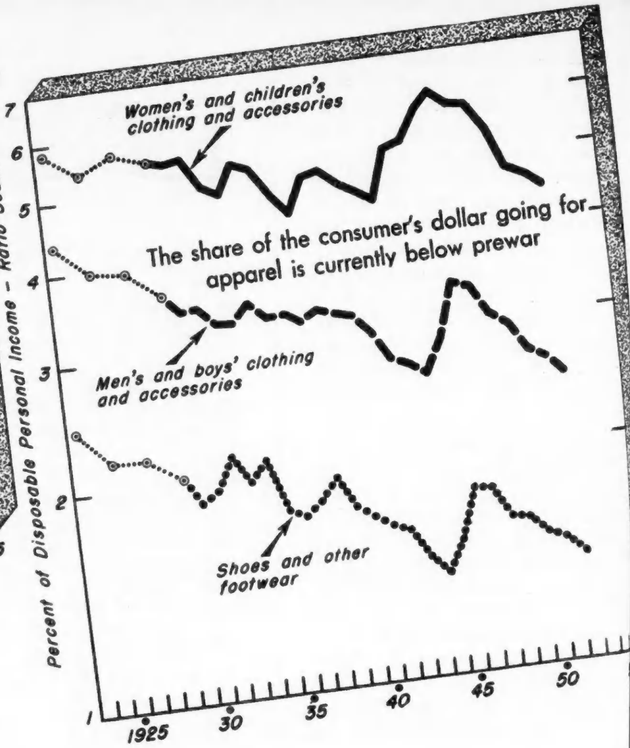
In this view, a trend indication provided, after adequate time for reappraisal of the outlook, by a wiping out of all the post-election rise, taking the popularly followed averages under the support levels represented by their October, 1952, lows would be considerably more disturbing than the performance up to this point. At last week's lowest closing level, the Dow industrial average was down roughly 20 points from its bull-market high, but remained about 11 points above the pre-election reaction low. The rail average was about 9 points under its bull-market high, but nearly 5 points above its pre-election low. Thus, although it could possibly assume more conclusive importance in time, the sell-off is thus far of intermediate proportions, amounting to about 6.7% for the industrial average, about 8.4% for the always more volatile rails, which have had a considerable "war-baby" flavor since the start of the Korean war.

People and the Market

The so-called "bloodless verdict" of the market is not always as bloodless as it is cracked up to be—if you take that word as implying that the market is always objective in its collective judgment, always able to see the road ahead. The market does what people make it do. Hence, it can be as emotional, foolish and wrong at any givn time as people are. If it could see the road ahead, it would not have gone through the roof in 1929 or fallen through the floor in 1932. To cite more recent history, it would not have had a boomlet on the outbreak of World War II in the autumn of 1939 on the false assumption that America would stay neutral and profit by supplying the nations fighting Nazi Germany. It would not have been edging up in the spring of 1940, while some people talked about the "phoney war," just before a 40-point nosedive in the industrial average when the Nazis swept toward the English channel.

To cite still more recent history, it would not have fallen 23% from the 1946 bull-market high to the spring, 1947, low in anticipation of "the postwar depression," instead of which we got the longest postwar boom in our history. It would not have risen strongly in the weeks prior to the 1948 election, discounting a Dewey victory. It would not have zigzagged down 15% from the 1948 high to the mid-1949 level, discounting a business slump which turned out to be a mild and short inventory-adjustment recession. And it would not have skidded down 13.6%—over twice as much as it has fallen so far—in the short space of three weeks following the start of the Korean war. What lay ahead then, as it happened, figured from the price level prevailing just before the start of the war, was an advance of 69 points, or over 30%, for the industrial average up to early January of this year. Even on hindsight, no one can say just why it declined 17 points, or about 6%, from the summer high of last August into October. Was it (*Please turn to page* 142)





Measuring . . .

The New Norm in

Consumer Buying Power Today

—Is War Economy Needed to Support Prosperity?

By HARRY PRICE

The new peace moves directed from Moscow have naturally caused a good deal of apprehension among American businessmen and investors lest the new turn of events bring about a long-term downturn in business and, hence, in securities. Basic in the analysis of conditions that will affect our economic future is the real strength of consumer buying power and the civilian markets. This is of paramount importance if we are, in truth, entering a new era in world affairs which, if it does not actually bring peace, will at least produce a prolonged truce.

It is therefore vital at this stage to examine the basic factors in consumer buying power to determine which are fundamentally strong and which are potentially vulnerable. It is important to find out whether the pressures in our economy are powerful enough to bring us to an even higher standard than at present in the next few years or whether a real slump is in the making. These are great questions for the businessman to face.

It is natural, therefore, that businessmen should show concern. Almost every prediction they now encounter forecasts uneasy economic weather ahead. The most optimistic reports say present peak activities will continue for the rest of the year, then slow sharply at the beginning of 1954. The pessimists foresee a slackening, recession or slump as early as the summer months of this year—just weeks from the present time.

And the heart of these predictions is a factor most businessmen consider valid. Since 1940, the basis of our prosperity has been defense and war goods production. Business has been able to operate during those years with the knowledge that regardless of how one particular civilian line might fluctuate, the economy would be maintained by continued heavy military orders.

Now, reports are military spending is to be reduced; just how much is not known—perhaps \$10 billion, \$15 billion or even more in the next fifteen months. Peace talk intensifies the reaction. And so firmly rooted is the conviction that our prosperity is based on military spending that many readily believe that less military ordering will mean a corresponding slow-down in the nation's business level.

Cuts in defense spending will of course have their effect on the economy. But they do not necessarily bring with them a sharp recession. In fact, there is the possibility that defense cuts can be offset almost entirely; made up by increased civilian consumption.

This will not be easy, naturally. It will take increased selling effort, more advertising, skillful merchandising. And it will also involve commercial adaptability, the willingness and ability to switch to lines which offer the greatest sales potential.

The most important reason, however, why less military buying may not necessarily mean economic disruption has been overlooked in many of the forecasts. They have been made without taking into consideration many important shifts in our economy; they have put a modern economic structure on an old-fashioned foundation. War and defense billions were the beginning of the present prosperity, but they have also revolutionized our economy, have brought about a dynamism which is unique in the history of nations.

Shifts in Income Groups

Basic is the shift in income groups and spending power. In 1941, a chart of the distribution of income took the form of a sharp-pointed pyramid, with a tiny few having over $5,000 a year, and, the greatest number forming the base of the pyramid and having less than $1,000 a year.

In 1941, just four per cent of the families, or consumer spending units, had incomes over $5,000 per year. A bit more than 10 per cent had incomes from $3,000 to $5,000 a year. Just about 21 per cent were in the $2,000 to $3,000 bracket. Thirty per cent had from $1,000 to $2,000 a year. And about 34 per cent of the families, or more than 13 million, had less than $1,000 a year.

Now, however, a similar chart would be in the shape of a rectangle, with income being more evenly distributed. Only 13 per cent of the spending units in 1952 had incomes of less than $1,000. Fifteen per cent had incomes of $1,000 to $2,000 and 18 per cent were in the $2,000 to $3,000 bracket. The greatest number, 33 per cent, had incomes of $3,000 to $5,000, and 21 per cent had over $5,000.

The immediate reaction is that taxes and rising prices have nullified this climb upward yet that is simply not so.

First, the income picture taking taxes into account: in 1941, only about a million and one half families had incomes over $5,000 before taxes. But in 1952, 8.4 million had incomes over $5,000 after Federal income taxes. In 1941 there were almost six million families with incomes over $3,000 before taxes—by 1952 over 26 million, or about four and one half times as many, had incomes over $3,000 after Federal taxes.

Real Purchasing Power

The progression of families to higher income groups has brought with it an increase in disposable income or discretionary spending power. It has been estimated that taking into account higher taxes and prices, there has still been an increase of 66 per cent in real purchasing power in this country in 1952 as compared with 1941.

This increase comes about because of a change in our economy that has been almost completely overlooked. The greater number of families in the higher income brackets has meant that families climbed from a lower income level into a higher social standard and way of living.

It is obvious, for instance, that any family with an income of $4,500 in 1941 and also in 1952 had, because of taxes and higher prices, far less spending power last year than they did in 1941.

But the vast majority of families did not remain in the same income group. Instead, higher wages pushed them into a higher income bracket, leaving them more money for discretionary spending or saving.

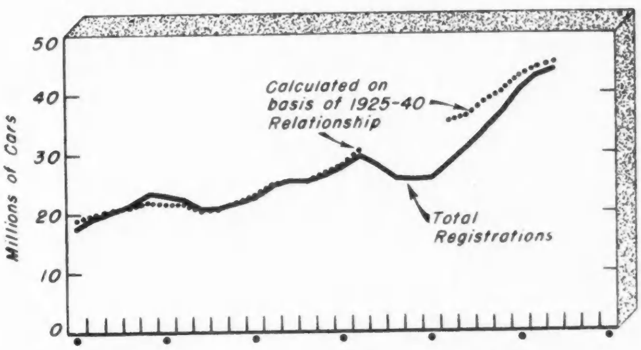
The "middle income" family back in 1941 had an average income of $1,458. It spent about 70 per cent, or $1,017 for food, clothing rent and other basic living costs. It had $439 left for saving or discretionary spending.

But in 1952 the middle income family had an average income of $3,981. If the family retained its same standard of living, $1,840 went for feed, clothing and shelter, $261 was taken for Federal income taxes, and $1,880 or four and a half times as much as in 1941 was left for saving or discretionary spending.

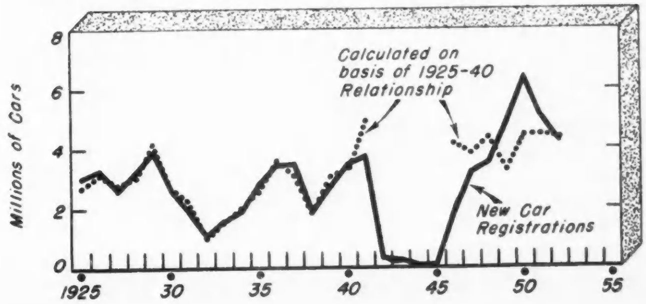
That family probably has not retained the same standard of living, of course. It is eating more and better food—more steaks and less hamburger. The women in the family are wearing better dresses and shoes, the men are wearing better suits, shirts and socks.

The same "upgrading" has gone on in other spending habits, too. Yesterday's luxuries have become today's necessities. Early in the "upgrading" the family got rid of the ice box for an electric refrigerator. Now it has either bought or it is planning to buy a home freezer. The purchase of an air conditioning unit is being considered. The next family car will have an automatic transmission and perhaps power brakes and power steering.

The TOTAL number of passenger cars is nearly in line with income and population



NEW passenger car buying is now roughly consistent with prewar relationship



How Consumers Distribute Their Spending

	1929	1940	1941	1946	1947	1948	1949	1950	1951	1952*
DURABLE GOODS	11.9	10.9	11.9	11.3	12.9	12.9	13.2	15.0	13.0	12.0
Automobiles and parts	4.1	3.8	4.1	2.9	4.0	4.2	5.2	6.3	5.2	4.8
Furniture and household equipment	5.8	5.3	5.8	5.8	6.5	6.4	5.9	6.7	5.9	5.1
Other durable goods	2.0	1.8	2.0	2.6	2.4	2.2	2.1	2.0	2.0	2.0
NONDURABLE GOODS	47.9	52.2	53.4	58.4	57.5	56.7	54.9	52.9	54.6	55.0
Clothing and shoes	11.7	10.2	10.7	12.7	11.5	11.3	10.5	9.7	9.8	9.4
Food	25.0	23.7	24.5	28.3	28.8	29.0	28.2	27.4	29.2	29.8
Alcoholic Beverages		5.1	5.2	5.9	5.4	4.6	4.4	4.2	4.1	3.9
Gasoline and oil	2.3	3.1	3.2	2.0	2.1	2.3	2.6	2.5	2.6	2.8
Semidurable housefurnishings	1.0	1.1	1.2	1.2	1.1	1.1	1.0	1.1	1.0	1.0
Tobacco	2.2	2.6	2.5	2.4	2.3	2.3	2.4	2.3	2.3	2.4
Other nondurable goods	5.8	6.3	6.2	5.9	6.1	6.1	5.9	5.7	5.7	5.7
SERVICES	40.2	36.9	34.7	30.3	29.6	30.4	31.9	32.1	32.4	33.1
Household operation	4.8	5.3	4.9	4.3	4.3	4.3	4.6	4.8	4.9	5.1
Housing	14.5	12.8	12.0	8.9	8.8	9.3	10.0	10.2	10.5	10.8
Personal services	2.3	2.2	2.2	2.3	2.3	2.1	2.1	2.0	2.0	2.0
Recreation	2.2	2.3	2.2	2.5	2.3	2.2	2.2	2.1	2.0	1.9
Transportation	3.0	2.7	2.7	2.9	2.8	2.8	2.8	2.7	2.7	2.7
Miscellaneous services	13.4	11.5	10.8	9.3	9.2	9.7	10.2	10.4	10.4	10.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Preliminary. Source: U. S. Department of Commerce, Office of Business Economics.

Social Security and Pensions

The old age groups have also climbed to a new, higher level because of Social Security, partly, but mostly because of the increasing number of industries with pension plans.

In short, because of the continuing climb into higher income brackets, it means we have a population with still-unfullfilled buying demands; they have yet to catch up with their new standard of living.

Other factors contribute to continuing buying demands. About half of the dwelling units in this country are over 30 years old. There will be the need to replace or extensively repair and remodel these units.

Over half the families in this country were formed since 1940. They have the needs of young and growing families: larger dwelling space, more appliances, clothes, etc.

Families are increasing in size, and there are about 65 percent more children under five this year than there were in 1940, and fifty per cent more between the ages of five to nine. That means special needs for food, clothing and housing.

What Happens With Defense Cuts?

There is still the question, however, of what happens when military spending, instead of being $60 billion as expected this year, is cut by $20 billion to a total of $40 billion next year.

Last year, gross national product was at the rate of approximately $340 billions. Of this, approximately $215 billions was spent for "personal consumption." The significance of this figure is that if families increase their standard of living by 10 per cent, or in other words increase their personal consumption by that amount, they will offset the expected $20 billion slash in defense spending.

This comparison involves personal consumption figures of 1952 as against the defense spending reduction in 1953. It does not take into consideration the expected increase in gross national product, including personal consumption, this year, which would mean that even less of an increase in the standard of living will be needed to take up the loss of defense production.

How will this extra 10 per cent in spending for personal consumption be arranged? There are several possibilities.

First is the need mentioned earlier for intensified selling and marketing and the searching for new needs waiting to be filled. That will be the responsibility of businessmen themselves.

There will be spending power available. For while families were climbing to higher income brackets, they were also building family reserves. Bank deposits are at near-record levels. Some $50 billion is in savings bonds.

Savings bonds began maturing two years ago. About $26 billion savings bonds mature from 1953 to 1956, with a peak of approximately $8 billion maturing in 1954. Between $4 billion and $5 billion mature each year from 1957 to 1962. Not all these bonds will be redeemed, of course. But a great number will, to the extent that there will be a revolving fund of $4 billion or $5 billion in the economy each year.

New Shopping Centers

There is also the continuing need for expansion of public and commercial building. The enormous number of automobiles is forcing state, county and municipal government to plan new and bigger highways, boulevards, parking garages. Almost every major city in the country has projects planned which will better enable them to handle the increasing amount of traffic.

The shift in population and a consequent change in living habits is also forcing a growing amount of commercial construction. The development of huge

shopping centers is barely under way outside of the main Eastern cities. Department stores are erecting branch stores in suburban centers.

This construction of highways and commercial buildings will in itself supply several billions of dollars in the next few years that will go towards making up the cut in sums now devoted to defense goods.

The defense cuts themselves, meanwhile, will enable part of the lag to be made up. They will make possible a reduction in taxes, which will free a corresponding buying force. Of all the predictions of the size of tax cuts in the coming years, it seems safe to estimate that in 1953 the federal tax bill will be reduced between $7.5 billion and $10 billion—a sizeable share of the amount of spending to be regained. This is the general concensus of informed opinion.

There are some danger signs, of course. One which has been receiving an increasing amount of attention is the present record level of most forms of consumer debt. Particularly ominous, in the eyes of many, is the billions now outstanding in installment credit.

Observers who see catastrophe in this particular form of consumer debt say it means that consumers are "bought out;" have mortgaged their purchasing power for months to come and have satisfied their urge and need for many goods such as appliances and automobiles, to the limits of their income.

Non-Payments and Bad Debts

And businesses keeping close watch on installment credit warn that there are an increasing number of non-payments and bad debts. They also report businesses themselves are showing a greater number of "slow payments"instances where the credit remains good, but payments are not met regularly on schedule.

A concensus of busines thinking on this point would indicate that the situation bears watching, that businessmen should become cautious in extending too much installment credit. Any large extension of installment credit at this point would be dangerous. However, it is agreed by almost al that consumer debt at its present level is not disastrous but is a situation of caution rather than extreme alarm.

It would be useles to make any estimate of the future trend of business over the next several years without taking into consideration the emotional factor.

The first would involve the manner in which business itself makes the transition into a period of activity in which there is reduced defense spending.

One of the reasons businessmen have overlooked the changed base of purchasing power in this country is the fact they, for the most part—and particularly in any comparisons involving the past—are more concerned with the immediate change than with the long-term change. In other words, business thinking is not particularly concerned with the fact that in one particular industry activity is two hundred per cent over the level of ten years ago. But it is vitally affected by a drop of perhaps eight per cent since the previous year.

Effect of Emotionalism

In other words, a sharp but small drop in major lines at the time defense spending is reduced could cause business to retract emotionally far greater than the arms spending reduction warranted. A familiar chain reaction demonstrates what could take place. A businessman frightened by the slowed flow of defense orders would cut production, stop purchasing supplies, forcing a slowdown in the production schedules of his suppliers, who would stop their buying, ad infinitum.

It would be a reverse of the buying wave that swept business and industry when the defense program began in 1950. Department stores immediately went on buying splurges that put most housewives to shame; industry crammed inventories to a point that it was more than a year before they were able to return to a supply of goods necessary for their production schedules.

Similar emotionalism when defense spending is slowed would lead to chaos. But it must be remembered the buying splurge, the excitement at the beginning of the defense program, was given much of its impetus by the outbreak of war in Korea, and the possibility that world war was again to erupt. There will be no such emotional factor when defense orders are reduced, a calmer economic state will exist.

This can be aided, to a great extent, by the Administration. If it proceeds on its planned course of reducing arms spending in an orderly fashion, it can in great measure reduce any emotional reaction in the economy. If the reductions are announced in advance, taking care to pace arms cuts both by size and industry, business should be able to go through the period of transition with little disturbance and change to civilian lines with minimum difficulty.

Admittedly, all the (*Please turn to page* 126)

How Consumer Income is Distributed

Distribution of Total Income, Disposable Income, Liquid Assets, And Consumer Term Debt By Each Tenth of Consumer Spending Units

Per Cent of Spending Units	Money Income Range	Per Cent of Money Income Before Taxes	Per Cent of Disposable Income After Federal Taxes	Per Cent of Short Term Consumer Debt	Per Cent of Liquid Assets	Average Money Income Before Taxes
Top 10%	Over $6,600	31%	28%	26%	39%	$11,710
2nd 10%	$5,060- 6,600	15	15	16	11	5,750
3rd 10%	4,330- 5,060	12	13	14	9	4,720
Top 30%	Over $4,330	58%	56%	56%	59%	
4th 10%	$3.700-$4.330	10	11	11	8	$4,030
5th 10%	3,200- 3,700	9	9	11	7	3,460
6th 10%	2,660- 3,200	8	8	7	5	2,940
7th 10%	2,090- 2,660	6	7	5	5	2,410
Middle 40%	$2,090-$4,330	33%	35%	34%	25%	
8th 10%	$1,450-$2,090	5	5	5	5	$1,790
9th 10%	850- 1,450	3	3	2	5	1,120
Lowest 10%	Under 850	1	1	3	6	310
Lower 30%	Under $2,090	9%	9%	10%	16%	
Total 100%		100%	100%	100%	100%	

Source: Federal Reserve Board Survey of Consumer Finances 1952 and 1951.

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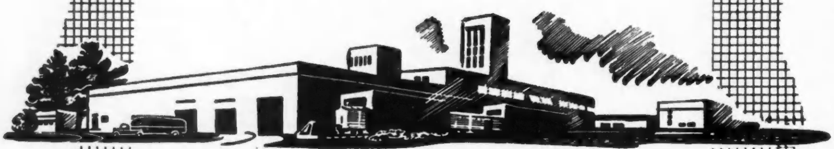
New Trend in



Investment Values and Yields

By WARD GATES

The most significant single development in the investment markets during the past year has been the steady decline in government bonds which is now equivalent to about 6½% from par for the long-term issues. This has automatically brought down the price of all classes of fixed-income bearing securities, bonds and preferred stocks alike.

Thus far, whatever reversal has occurred in common stocks cannot be basically attributed to sympathetic reaction to the decline in government bonds as the relationship between the two is less decisive than in the case of fixed-income bearing securities except on a long-term basis. The fact, therefore, that common stock yields have not as yet moved upward with government bonds rather indicates that not enough time has elapsed for this factor to exert its full effect.

Lower levels for government bonds are a direct result of the rise in the basic interest rate structure. This in turn has been brought about through the exhaustion of lendable excess banking system reserves following the enormous seven-year postwar demand for long-term capital. During this period, except mid-1951 to date, loans were stimulated through continuation of the artificially low interest rates inaugurated in the Roosevelt administration.

Adjustment in Basic Interest Rates

In the Spring of 1951, a break in the exceedingly low interest rate set-up was made when the Treasury relinquished its powerful control on Federal Reserve credit policies. With the more normal functioning of the banking system which followed, interest rates became more the product of natural economic forces than of governmental policy. Since credit facilities had already been largely absorbed through the heavy demand for long-term capital, it was inevitable that interest rates would rise. This they have continued to do to date. Treasury funds, for example, are now 2% compared with ⅛-¼% two years ago before rates started to go up.

The enormous adjustment in basic interest rates now in process is the normal long-term result of major wars. It occurred on an even steeper scale than the present at the end of World War I when the cost of money to the government rose to 5%. This was reflected in a drop in the price of the then government war bonds to as low as 82. In Britain, after the end of World War II, the 2½% war loan fell to 60, and the government is now borrowing at the rate of 4%. It is seen therefore, that post-war adjustments are invariably accompanied by a rise in the long-term interest rate.

With this background offering witness to the over-all effects on interest rates of post-war adjustments, it is obvious that the fundamental rise now taking place is an inevitable part of a natural economic process. Generally, such movements take a very long time before being reversed.

Because the current economic forces at work cannot be resisted, markets for fixed-income bearing securities must adjust themselves to the higher money rates. This is being expressed in a lower price for these issues. For example, U. S. 2½s of 1972-1967 which sold in 1951 for almost 101 are now below 94. In the intermediate-term U. S. bond group, the 2¼s of 1962-1959 which sold at almost 101 in 1951 are now below 97.

Among high-grade corporate bonds, there have been extensive declines. The Atchison 4s of 1955 are now down some 11 points from their 1951-1953 high of 129.87. Commonwealth Edison 2¾s of 1999 are down over 11 points from their 1951-1953 high of 99.75. Norfolk & Western 4s of 1996 are down over 11 points from their high of 132. These few instances, generally, typify what has occurred in the market for high-grade bond issues. Yields on this type of issue have risen in accord with the increase in government bonds and are now about 3½% for long-term issues as against 3% several years ago. This amounts to an increase of about 15% in yield. Issues of good but not the highest rank now yield 4-4½%, compared with 3½ to 4% several years ago.

The market for high-grade preferred stocks has reacted sympathetically with bonds. Several ex-

amples will suffice to show the extent of the decline in price and increase in yield. U. S. Steel 7% preferred sold at 152¾ in 1951, with a yield of 4.6% and is now selling at 141 with a yield of 5%. American Smelting 7% preferred sold at 167 in 1951, with a yield of 4.2% and is now selling at about 148, with a yield of 4.7%. The rest of the preferred stock market has acted more or less in concert.

The Yield Prospects

The question now before investors is (a) whether the price of high-grade issues has now fully reflected the current level of government bond yields and (b) whether a further rise in bond yields may occur now that government has materially raised its borrowing rate on long-term issues.

The answer to the first part of the question is probably in the affirmative. With government long-term yields now close to 3%, corporate issues of highest quality now yielding 3½% for bonds and 4¾%-5% for preferreds, are practically in line. Therefore, important price changes from current level are not now looked for in this class of issue, as long as the government does not have to pay too much for funds.

On the other hand, with government financing its long-term requirements at 3¼%, the entire yield level of highest-grade corporate issues should eventually rise, and their prices, accordingly, should fall. The extent of the decline, however, should be moderate as most of the discounting process has already taken place. In the process, a decline to about 90 for government long-term 2½s could be envisaged. This would amount to a decline of about 4% from present price levels. This figure indicates the limit of the decline that might be expected in high-grade corporates, if the government bond rate is raised to 3¼%.

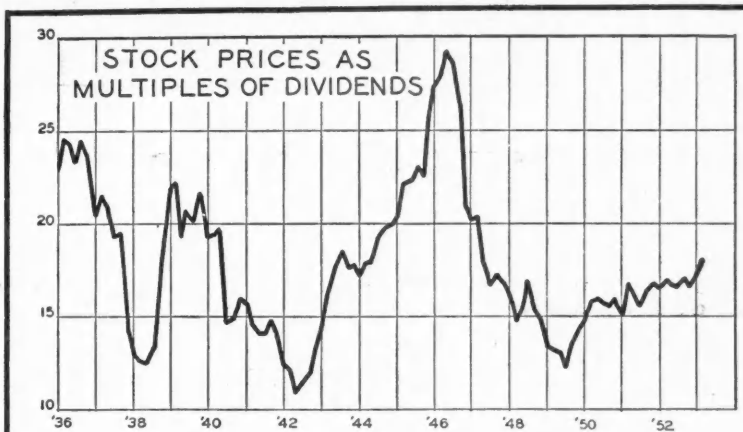
Importance of the "Spread"

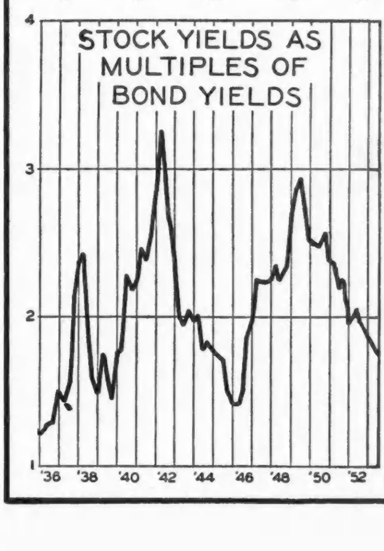
The relationship between the yields on bonds and common stocks is expressed as the difference or "spread" between the average yields of the groups. This is generally accepted as a valuable long-term barometer. Thus, when the "spread" between common stock yields and bond yields is high, the implications for future common stock trends is more favorable than when it is low. The reason is not difficult to find. Yields are in competition with each other. When bond yields, relatively, are more attractive than stock yields, the preference of investors will incline toward bonds. When yields on common stocks, relatively, are more attractive than those on bonds, investors will prefer stocks. When the relationship is abnormal, a process of equalization, or balance, sets in until the ratio between the yields becomes more normal. The process is by no means continuous or even consistent but is nevertheless eventually effectual in bringing yields into line over the long term.

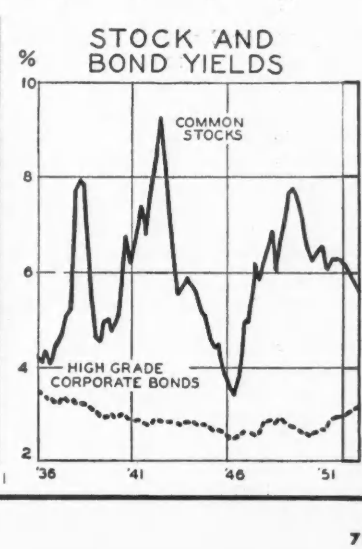
At present, common stock yields are 160% of bond yields, which is quite a low ratio. Since 1936, the ratio has been lower only twice, once in 1936 and again in 1946. It is interesting to observe that in 1936, when the ratio between stock and bond yields was at a low 115%, considerably lower than the present, after a temporary advance at the end of 1936 and early 1937, the market went into a severe decline. Barring several minor upward moves in 1938 and 1939, this did not end until 1941.

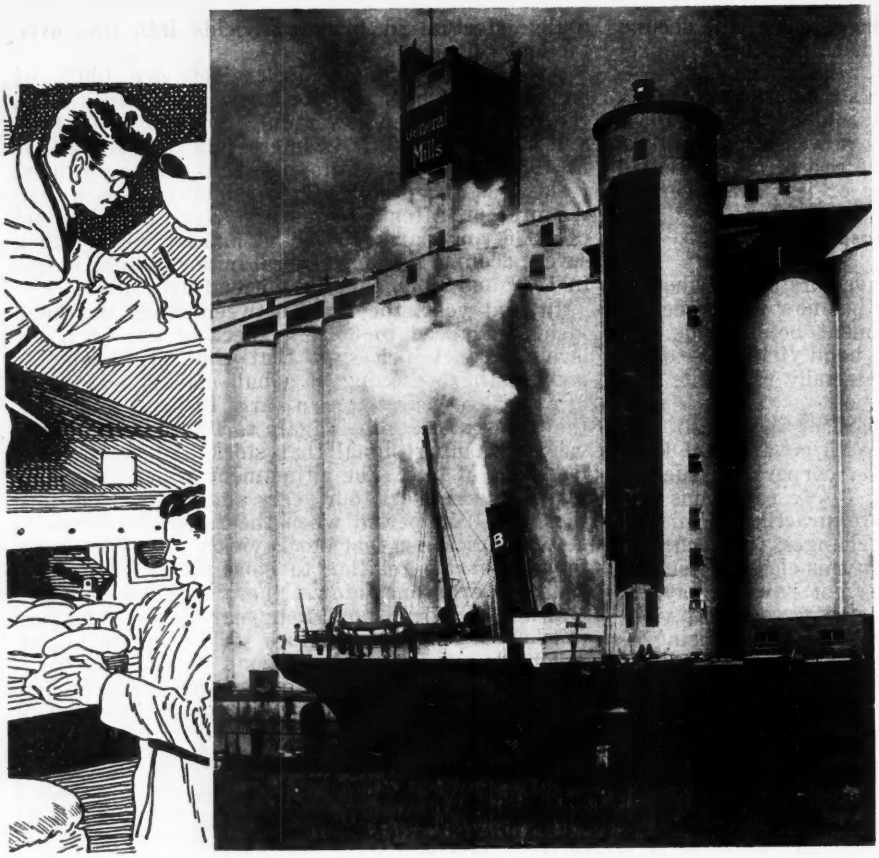
In that year, the ratio between stock and bond yields advanced to 350% reflecting the very low level of stock prices at that time. This roughly marked the beginning of a bull market which culminated five years later in early 1946. In that year, the yield ratio declined again to 150%, which again was a warning signal that stock and bond yields were out of line. The adjustment which then took place lasted almost four years and did not end until the 1949-1950 period when the ratio again rose to 290%, indicating that stock yields were once more in a favorable relation to bond yields. Since that time, as everyone knows, there has been another bull market which now, four years later, has again reached a point where stock yields are not in too favorable a relationship to bond yields.

Average stock yields are now in the neighborhood of 5.50% and bond yields about 3.35%. This gives a ratio of approxi- (*Please turn to page* 128)









. . . . What 1952 . . . .
Balance Sheets Reveal

By J. C. CLIFFORD

Annual reports for 1952 now available for stockholders of the country's largest industrial organizations are more informative than ever before and disclose a number of pronounced general trends despite the usual wide diversity of experience among individual companies.

Comparison of year-end 1952 balance sheets with those of a year before shows the extent to which companies were able to check the downward trend of liquidity which since the war had been a cause of growing concern to investors and business men alike. Analysis of the changes among the principal items on the financial statements reveals the various means by which the working capital position of industry was improved last year. In many instances, however this was accomplished by an increase of long-term debt.

Speaking of American industrial companies generally, and with liberal allowance for large numbers of exceptional and extreme cases, it may be said that the principal features were as follows: cash and marketable securities together were maintained with little change last year; inventories were up only slightly, thereby leveling off the sharp uptrend that accompanied the postwar price inflation and business boom; receivables also were up slightly, and thus total current assets increased.

Total current liabilities, however, were lower, reflecting a decrease in federal income tax reserves, plus some refunding of short-term bank loans into long-term bank, insurance company, or open-market loans. This brought about an increase in net current assets or working capital, as well as in the usual liquidity ratios.

Other major factors in improving the working capital position were the substantial net income retained after payment of dividends, and the growing reserves for depreciation and depletion—income charges which do not involve cash outlay. What boils down to the most significant question is the cash flow of business in 1952—the sources and uses of cash.

All of these balance sheet changes are interrelated, and several merit particular attention because of their size and the fact that the meanings of their fluctuations are not always clear. Of course, the balance sheet can never show all of the values of a business, since a going organization and the various intangibles are sometimes worth far more than the figures at which both current and fixed assets are carried on the books.

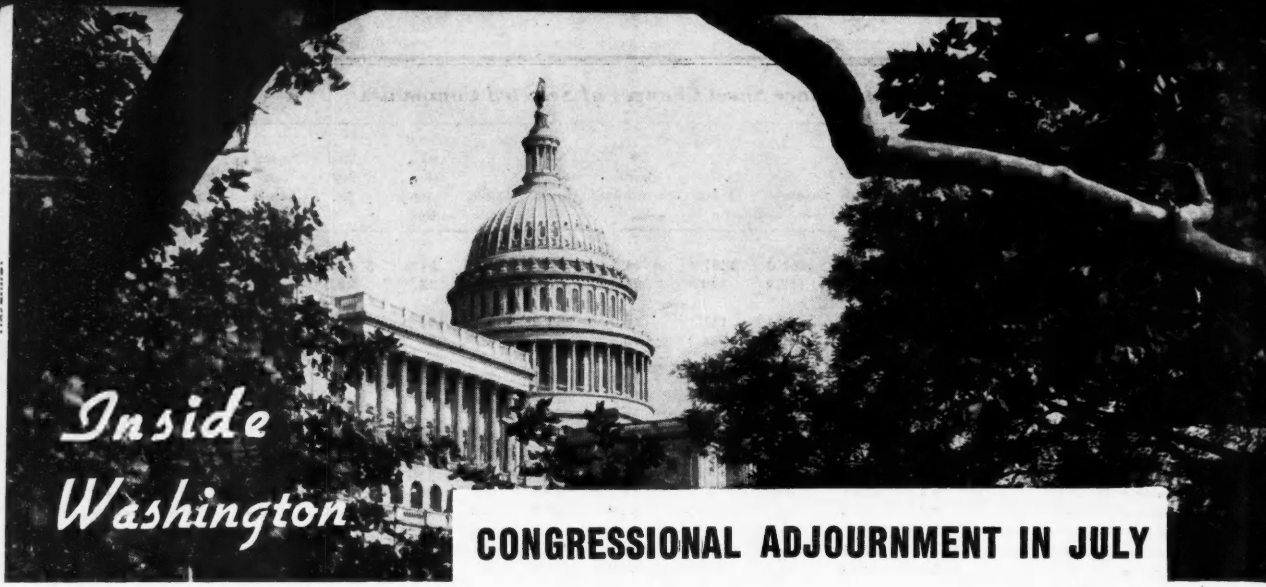
Examples of Large Companies

More specific examples of what happened to working capital last year may be found in an examination of the changes in balance sheet items of the larger companies, of which the accompanying tabulation gives the data for a representative organization in each of twenty-six major industries.

Among this group of leading companies, a large majority showed increases in the items of total current assets (comprising cash plus marketable securities, receivables, and inventories), in net property account, and in total assets. Of the two heaviest postwar uses of funds, (*Please turn to page* 138)

Recent Balance Sheet Changes of Selected Companies

	Cash & Marketable Securities	Receivables	Inventories	Current Assets	Current Liabilities	Net Working Capital	Current Ratio	Ratio of Cash & Secur. to Cur. Liabil.	Long Term Debt	Capital and Surplus	Total Assets	Annual Depreciation Charges
	(Millions)								(Millions)			
Allis-Chalmers Mfg. Co.												
December 31, 1952	$ 45.4	$ 95.3	$167.0	$281.7	$ 84.7	$197.1	3.3	54%	$ 60.5	$204.3	$359.5	$ 4.1
December 31, 1951	21.6	85.9	157.4	250.4	99.2	151.2	2.5	22	28.5	188.1	315.8	3.4
Amer. Radiator & Std. San. Corp.												
December 31, 1952	30.1	24.9	62.1	117.1	28.4	88.8	4.1	106	......	169.3	198.6	4.1
December 31, 1951	44.0	22.5	69.8	136.4	50.8	85.6	2.7	87	......	164.0	215.6	3.9
Amer. Sugar Refining Co.												
December 31, 1952	22.2	12.6	22.3	57.1	23.3	33.8	2.5	95	......	119.8	152.9	2.5
December 31, 1951	15.9	11.3	27.4	54.7	19.5	35.1	2.8	81	......	116.9	145.7	2.3
Amer. Tobacco Co.												
December 31, 1952	26.4	45.5	640.8	712.7	161.4	551.3	4.4	16	243.6	377.1	783.1	3.1
December 31, 1951	32.0	41.7	594.5	668.2	212.2	456.1	3.1	15	205.4	315.8	734.5	3.0
Baldwin-Lima-Hamilton Corp.												
December 31, 1952	9.9	35.1	85.7	130.7	61.0	69.8	2.1	16	3.0	109.5	174.8	2.4
December 31, 1951	7.7	29.3	88.6	125.5	56.4	69.1	2.2	14	4.0	105.2	167.0	2.0
Bethlehem Steel Corp.												
December 31, 1952	403.0	167.1	281.7	851.8	352.1	499.7	2.4	11	298.3	925.6	1,610.1	54.5
December 31, 1951	453.6	141.9	257.6	873.1	408.8	464.4	2.1	11	220.3	873.6	1,541.7	45.9
Burroughs Adding Machine Co.												
December 31, 1952	19.9	26.2	46.2	92.5	30.1	62.4	3.1	66	31.7	67.4	129.2	3.3
December 31, 1951	8.5	18.5	40.1	67.5	32.3	35.2	2.1	26	8.0	62.9	103.2	2.4
Caterpillar Tractor Co.												
December 31, 1952	14.5	38.3	105.5	158.3	48.0	110.4	3.3	32	53.0	152.5	253.5	10.6
December 31, 1951	11.1	40.2	114.2	165.4	92.7	72.8	1.8	12	18.0	143.4	254.1	7.8
Chrysler Corporation												
December 31, 1952	167.0	151.3	264.2	590.2	366.4	223.8	1.6	45	......	546.8	913.9	36.3
December 31, 1951	195.2	58.6	225.9	486.5	236.9	249.6	2.1	82	......	520.3	758.0	25.9
Continental Baking Co.												
December 31, 1952	10.6	3.5	9.5	24.2	12.4	11.8	2.0	85	16.3	42.9	71.6	3.1
December 31, 1951	8.4	3.1	8.9	20.7	8.7	12.0	2.4	97	15.8	41.2	65.7	2.8
Continental Can Co.												
December 31, 1952	34.8	27.9	80.5	144.0	46.4	97.6	3.1	75	61.6	189.8	302.9	8.5
December 31, 1951	34.4	22.1	90.1	146.3	48.3	98.0	3.0	71	64.1	177.5	299.5	8.3
Continental Oil Co.												
December 31, 1952	26.1	36.2	49.4	111.7	50.5	61.2	2.2	50	32.1	278.0	360.9	16.1
December 31, 1951	24.1	30.3	44.1	98.5	47.6	50.9	2.1	50	0.3	263.7	312.1	16.5
Curtiss-Wright Corp.												
December 31, 1952	13.3	77.8	39.3	130.4	47.3	83.0	2.8	28	......	120.6	168.0	4.7
December 31, 1951	10.1	56.3	50.0	116.5	38.7	77.8	3.0	26	......	117.7	156.4	3.4
Electric Storage Battery Co.												
December 31, 1952	6.5	12.7	23.8	43.3	10.7	32.6	4.1	61	10.7	50.3	74.9	1.1
December 31, 1951	7.8	15.0	26.4	49.7	12.5	37.3	4.0	62	10.4	49.8	76.7	1.5
Goodyear Tire & Rubber Co.												
December 31, 1952	44.8	160.4	275.4	480.7	83.5	397.2	5.8	54	200.1	310.6	665.0	25.9
December 31, 1951	128.1	129.0	249.6	506.7	107.2	399.5	4.7	120	202.5	286.5	659.0	23.8
Ingersoll-Rand Co.												
December 31, 1952	85.3	11.4	37.8	134.5	49.6	84.8	2.7	17	......	93.6	145.8	1.0
December 31, 1951	74.0	16.2	38.8	129.0	54.7	74.3	2.4	14	......	82.5	139.7	0.8
International Paper Co.												
December 31, 1952	49.1	35.8	85.6	170.5	45.3	125.2	3.8	109	......	400.1	471.5	21.9
December 31, 1951	36.0	39.0	81.0	156.1	49.6	106.5	3.1	73	......	375.6	447.7	20.8
International Shoe Co.												
November 30, 1952	22.2	34.5	59.1	117.7	25.6	92.1	4.6	87	30.0	93.2	149.3	2.0
November 30, 1951	6.1	26.2	58.7	91.9	23.8	68.1	3.9	26	2.6	93.0	120.0	1.8
Johns-Manville Corp.												
December 31, 1952	11.1	26.4	24.2	61.8	33.8	28.0	1.8	33	4.7	144.2	184.2	6.8
December 31, 1951	14.1	24.2	24.9	63.2	35.2	27.9	1.8	40	5.0	134.9	176.5	6.9
Kennecott Copper Corp.												
December 31, 1952	254.0	33.7	80.5	368.2	99.3	268.9	3.7	256	......	600.6	703.5	8.5
December 31, 1951	253.7	30.8	83.5	368.0	105.7	262.3	3.5	240	......	578.1	687.5	7.3
Merck & Co.												
December 31, 1952	9.8	9.3	32.0	51.1	16.4	34.6	3.1	60	0.8	85.1	112.3	5.4
December 31, 1951	30.9	10.4	30.7	72.0	35.4	36.6	2.0	87	0.8	82.2	128.5	3.5
National Dairy Products Corp.												
December 31, 1952	39.5	50.5	136.9	226.9	57.2	169.7	4.0	69	103.8	235.0	409.2	21.2
December 31, 1951	42.2	46.7	122.7	211.6	56.3	155.3	3.8	75	105.7	216.7	390.5	19.5
National Distillers Prod. Corp.												
December 31, 1952	35.7	69.7	171.9	277.3	24.8	252.5	11.1	144	116.6	251.4	398.9	4.5
December 31, 1951	27.7	76.3	184.6	288.7	56.7	232.0	5.1	49	76.9	253.2	388.4	3.6
Owens-Illinois Glass Co.												
December 31, 1952	32.7	20.0	37.2	90.0	37.9	52.1	2.4	86	10.0	145.1	198.1	7.1
December 31. 1951	26.7	18.4	40.6	85.7	49.9	35.7	1.7	53	10.0	141.1	206.5	7.2
Philco Corporation												
December 31, 1952	19.5	47.2	41.8	109.8	64.3	45.5	1.7	30	......	80.1	144.4	3.1
December 31, 1951	12.7	33.5	41.4	88.7	44.8	43.8	2.0	28	......	74.6	119.5	2.7
Union Carbide & Carbon Corp.												
December 31, 1952	128.1	119.6	225.0	472.8	211.0	261.8	2.2	61	240.0	614.8	1,072.2	54.3
December 31, 1951	197.1	97.0	195.9	470.0	237.4	232.6	2.0	83	150.0	584.3	978.1	42.9



CONGRESSIONAL ADJOURNMENT IN JULY

By "VERITAS"

COUNCIL of Economic Advisors to the President of the United States is certain to be abolished and Economic Advisor Counsel will be substituted. A single counsel will be substituted for the three-man council at a saving of $50,000 a year—total outlay under the new setup will be $25,000. The change already has cleared the necessary committees, awaits congressional action. One of the more recent government agencies to come into existence, CEA has been torn by internal strife, spent almost as much time in "family fights" as it did in advising the President.

WASHINGTON SEES:

On the highest levels of political, diplomatic, military, and fiscal circles in the Capital, the Moscow peace "feeler" is being appraised with extreme caution. None is going overboard with optimism. Past experience doesn't warrant that. But there is a growing belief that this time it could be real, that there is a new deal on in the Kremlin since the death of Stalin and the installation of a new Premier who is more domestically-minded than his predecessor was.

Since the Iron Curtain has not been penetrated it isn't possible to do other than conjecture whether Malenkov has the same command over the country as Stalin had. Probably he has not. But he assuredly has the confidence of the top bracket officials; otherwise he would not have been installed in the office. And since the peace move was initiated by him he very likely could, if he has the will to do so, make it work.

The political and diplomatic considerations rest with the White House and the State Department. They aren't "buying" on speculation. The military establishment is giving the whole idea a fishy eye, doesn't want to be caught napping by withdrawing the armed forces, paving the way for possible destructive attack. And the agencies with their thoughts on international trade sense a "peace slump" in the making; not that they believe the national economy can forever be supported on a war fright, but because they'd like to know in time to get braced for it, equip the government to cushion it.

CONGRESS is working toward an early adjournment date and has fixed as a target the first week in July. Present indication is that the objective will be attained. The leadership has several good reasons for seeking to speed the termination. Any change of political control brings in green members with a desire to sound off and a short session forces them to get down to the business of legislating, forget the headlines to some extent. The President isn't anxious for a protracted session, wants to get his feet on the ground and is becoming impatient with "official" quotes by him.

DEMOCRATIC party leaders have forgotten the last election and have focused their eyes on the next one—the between-term balloting which takes place in 1954 and which will determine whether Ike finishes his four-year stretch with a friendly party majority or goes it virtually alone with the opposition party running both houses of congress, a situation which spelled the political doom of Herbert Hoover in 1930, midway through his term. The GOP actually has promised more in the way of tax reductions, budget balancing and cleaning up the mess than it is humanly possible to deliver in a span of two years.

TENSION is mounting among the republicans and in spite of Senator Taft's frequent calls at the White House and his outwardly cordial reception by President Eisenhower, a showdown is building. If it comes, it will be national misfortune for the opportunity exists today to bring on a unity that could redound to the entire nation's benefit. Conversely, scuttling of Ike's administration could be dangerous. Senator Irving Ives of New York, spokesman for the Thomas Dewey wing of the party has been needling Senator Taft on his labor law, offering amendments. Taft appears to believe the inspiration goes higher than Dewey and temperatures are rising.

As We Go To Press

There will be a howl of disapproval when a proposal is sent to congress to combine the Veterans Administration with the newly elevated-to-Cabinet rank Federal Security Agency. Veteran groups will scream to the high heavens. And since they have a theoretical voting strength of 20 millions, congressmen will back down. Not only are the constituents involved but also a very large percentage of both houses of congress wear veterans buttons. President Eisenhower is personally opposed to combining VA with the agencies headed by Oveta Culp Hobby but may submit a proposal for such a union as a calculated risk which will bring on a test, end the discussion, prove his willingness to have the idea sampled.

Attempts to enlarge social security benefits will run into a dead-end legislative street this year. Candidates for congressional offices were a bit reckless in their promises during their campaigns, made bids for the votes of the elder citizens' with the bait of higher pay in retirement. But the house ways and means committee has decided the cost would be higher than the taxpayers should be expected to absorb and it has adopted the customary de-railing: a committee to make a complete inquiry and report -- eventually.

Senator Homer Capehart's campaign to create stand-by economic controls does not appear to be gaining ground. The business-minded congress seems to share the opinion that is just about general among the larger taxpayers that it's "time for a change" in government-business relationship, just as it was established to be time for a change in federal government control. As a matter of fact the Indiana senator reportedly isn't too enthusiastic over his own proposition, put it out as an idea and not a crusading banner.

In lengthy hearings by the senate's banking and currency committee, the objections to stand-by control fell into a general pattern. It was based upon the proposition that price and wage controls by themselves do not control inflation and should be used during great emergencies and, even then, only as part of an overall inflation control program. Proposed was closer adherence to a pay-as-you-go policy, re-examination of the Federal Reserve support of the government bond market, across the board saving by non-defense agencies, and encouragement to the general public to spend less, produce more.

A compromise is in prospect, but its adoption is by no means assured: either the President or congress could freeze prices and wages for a fixed period -- 90 days has been suggested -- if an emergency arises and the wisdom of such a move seems to be indicated. That, it appears to be agreed, would give sufficient time for investigation and hearings on whether controls should be recreated. One difficulty is in the fact that a lone senator who opposes controls could filibuster against the reinstatement, make it necessary to start from the beginning.

Conflict continues at the Capitol on the subject of taxes. Regardless of what decision ultimately is reached it will go on because the disagreement is basic. Rep. Reed still is battling for a slash in personal income taxes. Barring serious international complications he might win his point although the head of his party, President Ike, is committed to a program of first balancing the budget, then cutting taxes. You don't lose votes by casting your lot with those who want tax reduction. That is elementary in the education of a politician who winds up serving in congress. And, of course, it's the type of charity which really begins at home.

Wrapped up in the tax question in addition to the personal and corporate rates and the excess profits tax, is the very important issue of excises. There are numerous powerful groups working toward repeals. If there is a cut in personal and business

taxes, the justi#cation for excise taxes would seem to evaporate. However, it is demonstrable that the luggage and fur trades have suffered greatly from one of the heaviest levies -- 20 per cent. Distilled spirits are taxes $10 a gallon and, while it may sound like trade association propaganda, a grab of that extent is tantamount to opening the door to the bootlegger to return, says the Distilled Spirits Institute. And probably correctly.

There is talk, and the subject should be watched for probable "bugs", of a broad-case excise tax at the manufacturers' level. This would be a hidden tax and the revenue production would be determined by the estimated needs, due to the very fact that it doesn't come out in the open. It's an easy escape for the politicians. This is by no means a venture; it's been tried before, but without signal success.

Retailers have banded to fight the extension of hidden tax with the battle cry that customers should know how much they are paying for the merchandise and how much goes into the related costs. It sounds a trifle complicated, but here's how the National Retail Dry Goods Association puts it: "A manufacturers' tax hides the blame for higher prices until the merchandise reaches the retail counter. In addition the retailer would not only be 'buying' the tax and have to increase his capital requirements but would have to pay tax on the tax, pay commissions on the tax and then, in the event of a markdown on the particular item, absorb the entire amount of tax. The effect of a manufacturers excise tax would be an increase of nearly double the amount of tax through the process of pyramiding."

Outside-the-country activities are building a terrific payroll for the United States taxpayer. Our international activities are harnessing a load on the American citizen, based upon such fact as that between December 1952 and January 1953, the State Department increased the number of persons on its payroll outside the United States to 21,193. The Interior Department has 6,085 on foreign duty. The Commerce Department has 3,196. Including civilian employees of the armed services, we now have 186,165 persons on foreign duty for the United States.

The Federal Reserve Bank Board is about to announce the detailed results of a survey conducted in a score of metropolitan centers to determine how the average householder intends to spend the non-food, non-rent, dollar in the next year. It will be good news for the real estate trade and the furniture business. And, in spite of the fact that viewing the ancient "westerns" seems likely to produce a new race of bow-legged children, television sets stand high on the buying list. Somewhat surprising is the fact that radio set sales last year almost doubled those of the year before in spite of the inroads of TV.

It was fortunate for the Administration that the Mc Carran-McCarthy-Bridges axis went to work on the President's nomination of Charles E. Bohlen to be Ambassador to Russia. It gave General Ike an opportunity to show that retreat in the face of legislative opposition is as foreign from his character as running from military battle. And he won as the sports writers would put it "going away" which simply means easily.

The fight on Bohlen, who is probably the man in State Department career service farthest to the left, was a drive on the President. Nothing else. Mc Carthy, as demonstrated in the Greek ship affair, is seeking to set himself up as a one-man State Department and President Eisenhower just isn't buying that. McCarthy still is smouldering under the fumes of Ike's failure to come out enthusiastically for his re-election in Wisconsin. Mc Carran is . . . well, he's Mc Carran. How Bridges got himself into the act is not easy to explain. You'd really have to put it down as honest conviction, but after all there was no supporting explanation.

Chancellor Adenauer's visit to Washington was supposed to have been essentially a ceremonial affair. It now turns out that the doughty German leader was here to discuss weighty problems. Among them no doubt was the uncomfortably-timed Russian suggestion for a four-power conference on the ultimate unification of Germany. Nothing could produce more shivers down the backs of our defense planners than the possibility that the Germans may prefer unification to joining the European Defense community. All in all, it shows how difficult the job of steering our Ship of State is becoming under the onrushing events abroad.

.... *Miracle in* ....

YUGOSLAVIA

By V. L. HOROTH

Several weeks ago the 61-year old Josip Broz, by profession a communist agitator and organizer, found himself, as President J. B. Tito of Yugoslavia, walking down Britain's ceremonial red carpet of welcome, with the Queen's husband, the Duke of Edinburgh, waiting at the bottom of the gangplank. The man who just a few years ago was responsible for stoking the fires of the civil war in Greece—the war that cost the United States and Great Britain several hundred million dollars to stamp out—was hailed as a "stanch ally" of the West.

This, of course, sounds somewhat ludicrous. The plain fact is that, in view of the present state of international affairs, Yugoslavia and the West can hardly help helping one another. If any admiration is due to the Yugoslav people, it is not for their form of government, but rather for their courageous behaviour during the two world wars. And if any credit is due to Marshal Tito, it is for his opposition to the Kremlin's effort to turn Yugoslavia into still another satellite satrapy. Tito in fact has accomplished what others thought impossible: changing sides in the cold war without getting involved in a shooting war.

Marshal Tito and Yugoslavia came into the limelight for other things as well. A few weeks ago the dispatches from Belgrade intimated that Yugoslavia was about to abandon her involved system of industrial production and to replace it with the traditional system of incentive production. This report was followed by another, that Tito was about to jettison his collectivization policy and allow a free economy to develop in the villages. At about the same time, Edward Kardelj, Yugoslavia's No. 2 man, came out with the uncommunist announcement that "we cannot have a dual economic system: unrestricted in industry, and state-controlled in agriculture. . . Our entire economic policy must be based on unimpeded activity. . . Compulsion produces only artificial structures which yield negative economic results."

Does all this mean that Marshal Tito and the men around him have seen the error of their ways, and are gradually replacing communism by a more less experimental system of "free" socialism—as some British Laborites would like to believe? Or is Tito moderating his political and economic dictatorship because of our subsidies and at our insistence? Or is it because the economic conditions—Yugoslavia being far from the self-contained unit that the Soviet orbit is—are making communism unworkable?

But before attempting to answer these questions, a brief survey of the origins of Titoism—the name given to the communist heresy—and of the basic differences between Moscow's and Belgrade's brands of communism may be in place.

Yugoslavia: General Economic Data

Area (000 square miles)	96.1 (a)	
Population (in millions)	16.9 in 1952	
National income (billion dinars)	235.0 in 1951	
Per capita income		
Agricultural production (prewar = 100)	73	(in 1950-51)
Dinars per dollar (official)	300	
Imports (billion dinars)	19.5 in 1951	
(million dollars)		
Exports (billion dinars)	9.2 in 1951	
(million dollars)		
Production:		
Steel (000 tons)	744	in 1952
Lead (000 tons)	67	in 1952
Zinc (000 tons)	13	in 1952
Copper (000 tons)	32	in 1952
Coal & lynite (000,000 tons)	12.1	in 1952
Electricity (billion kwts)	1.1 in 1938	
Electricity (billion kwts)	3.2 in 1952	
U. S. Exports to Yugoslavia (000,000) (grains, machinery, meats, cotton, coal, medicaments)	$119.2 in 1951	
U. S. Imports from Yugoslavia (000,000) (pyrethrum, spices, copper, zinc, ferro-alloys)	$ 29.9 in 1951	

(a)—Nearly as large as New York, New Jersey and Pennsylvania combined

When Tito's troubles with Stalin started, back in the latter half of 1947 (at the time of the launching of the Marshall Plan), Yugoslavia had gone further on the road to communism and one-party government than any other member of the Soviet bloc, except the U.S.S.R. itself. The only remaining difference was that while in the Soviet Union agriculture was almost completely collectivized, in Yugoslavia more than 75 per cent of the land was (and still is) in the hands of private farmers. Under Marshal Tito's direction, a very ambitious—in fact overly ambitious—Industrialization Plan called for an increase of about 1,500 per cent in industrial output within ten years. The Plan was to transform Yugoslavia into a great industrial nation, with needed industrial equipment coming from Czechoslovakia, Poland, and the Soviet Union itself, in return for food and raw materials. All remnants of capitalism in trade and industry were wiped out. If anything, Marshal Tito could have been accused of Trotskyite left deviationism rather than of any laggardness in applying communism.

Background of Titoist Heresy

This was the atmosphere in which Tito's troubles began. It was no single dispute that led to the official rift between Yugoslavia and the Cominform in the summer of 1948, and a complete diplomatic break with the Soviet orbit a year later. (1) The beginning was probably the Trieste affair. Tito was dissatisfied with the support Stalin was giving him in the matter of this great port. Stalin was, of all things, advising moderation so as not to alienate completely the Italian communists who were then facing Italy's second postwar election. (2) Dictation by Stalin and infiltration of the Yugoslav army by Russian officers, with the eventual aim of taking this army over, also irritated Tito, who prided himself on his war record as a successful guerilla leader. Tito, who like Mao in China but unlike the other satellite leaders rose to the leadership of his people by his own efforts, was unwilling to render the unquestioning obedience required by the Kremlin. (3) Russian objections to over-zealous communization of industry and trade, as well as dissatisfaction with the over-ambitious Yugoslav industrialization plan, may have also had something to do with it. At any rate, later, when the two dictators fell out, Tito accused Stalin of hindering Yugoslav industrialization and of wanting the country to remain primarily a producer of foodstuffs and industrial raw materials.

But the main trouble was that the master economic system of the Soviet type simply did not work in Yugoslavia. When the Yugoslavs found this out—at the cost of misery and near-starvation of millions of their people—they embarked on criticism of the system, and this inevitably led to criticism of the Soviet System in general. To call the Soviet system "deficient, wasteful, and incapable of promoting social progress" was nothing short of blasphemy, and when Tito topped this with a statement that he and not the Kremlin knew what was best for his country and his people, the heresy of "national communism" in the Communist "universal church" was born. As one keen observer put it: Stalin's objective was the "Communist Empire" in which Yugoslavia when completely absorbed would have been but one province. Tito's idea was a "Communist Commonwealth" of independent states working together on the international scene, but pursuing economic and social policies best fitted to their respective countries.

Yugoslav Peasant Refuses to Submit

The Yugoslav agarian problem was fundamentally similar to that of the rest of Eastern Europe. Some 80 per cent of the population was rural, with about four times as many people per unit of cultivable land as in Great Britain. Some 70 per cent of the farmers hold less than 10 acres of land apiece, and the yields had been low. The idea was to syphon the rural population into industries, and have the industries provide the farmers with equipment so as to make up through mechanization for the decline of farm labor.

But the Yugoslav communists miscalculated. The Yugoslav farmer, and the Serb farmer in particular, is an individualist and a freedom loving man, with much Celtic and Illyrian as well as Slavic blood flowing in his veins. The Yugoslav farmers were ready to form cooperatives but not collectivist kolkhozes.

Although about a million people moved in these postwar years from rural districts to the city to work in factories, the factories have been very slow in supplying the necessary equipment for raising agricultural production. The Government policy of collecting the bulk of the crop and paying for it with money or script with which there was little or nothing to buy, also contributed. Few farmers exerted themselves to produce surpluses. The result: while farmers as a whole probably ate better during these postwar years, the rapidly expanding urban population had less and less to eat. A succession of disastrous droughts did the rest. Yugoslavia, which before the war used to export breadgrains and meat (at the expense, of course, of the low standard of living of her rural population), had to import food and if it had not been for U.S. assistance the toll of famine or near-famine would have probably matched the years of forced collectivization in Russia in the

early 1930's.

These were the circumstances that led the Yugoslav leaders to abandon the Soviet master economic system and to work out something new that would be better suited to the country's economy without departing from Marxist concepts. At this point the reader should be reminded: monopoly of political leadership and the collective ownership of the means of production remain two basic dogmas in Yugoslavia as much as they do in other communist countries. Despite the difference with the Kremlin, Tito still remains a devoted communist, insisting that not he but Stalin deviated from the holy principles of the Marxist-Leninist creed. Officially Lenin still remains one of the great apostles of the creed.

Breeze of Freedom From The West

But there are differences between the Yugoslav and the Russian systems and they are constantly widening as a result of the growing breeze from the West. The chief difference, as one of the Staff Papers of the International Monetary Fund[a] explains it, "is the significance attributed to the state. In the Soviet Union, the state assumes an all-important role for achieving communist social and economic goals. The lives and economic activity of Soviet citizens are subject to a very high degree of detailed regulation." "In Yugoslavia," continues the IMF Staff Paper, "there seems to be much less confidence in the ability of omnipotent bureaucrats to bring about the metamorphosis of the economic man into an altruistic being." In the new Yugoslav system as it is developing, the state will have a less significant role. Administrative functions are to be decentralized, and initiative in economic and social policy, to a larger extent, shifted to individual enterprises.

"Parallel to the decrease in the preponderance of the state", adds the Staff Paper, "there is a tendency to assure more freedom of action to individuals, and to show more confidence in individual initiative and in man's capacity to develop in conditions less regimented than in U.S.S.R. . . . While Soviet leaders seem to have completely ignored economic principles and economic automatism, substituting for it the conscious planning of almost every detail of economic life, the Yugoslavs recognize the usefulness of certain automatism (meaning regulation through market prices) in economic development, which in the regulation of economic life cannot be completely replaced by planning."

What have been the practical results of this recognition of the market price factor on the economic development of the Yugoslav economy? They have been considerable, and in general they are giving greater economic liberty to the individual:

(a) Economic planning is being decentralized and liberalized.

(b) Collectivization has been given up in favor of more flexible cooperatives. Compulsory grain deliveries have been abandoned and better relations established between independent farmers and the regime, with the result that the farm production slowdown is ending.

(c) Labor unions are being reorganized and the right of the unions to interfere in the activities of enterprises is to be abrogated. On March 17, Yugopress reported "in the future it is believed that a union will be able to intervene but only as a social organization of workers and not as an agency invested with special authority by the state."

(d) The profits of government enterprises will be taxed in the traditional manner.

(e) Government enterprises will be permitted to organize joint stock companies with foreign enterprises.

(f) A growing number of enterprises such as hotels, restaurants, and handicraft shops are being restored to private management.

Shifts in Economic Planning

Along with the introduction of this new and still rather experimental economic system, the South Slav Government has been revising and shifting the emphasis in its development plans. The old Five Year Plan is now dead, the victim of the Cominform's economic embargo. The new planning is more and more adjusting itself to the assistance of the West, which consists not only of U.S. and World Bank loans and U.S. food grants, but also of considerable assistance extended by Great Britain, France, and, above all, Western Germany, whose traditional market Yugoslavia used to be in the prewar days.

Second, the stress is now less on the building up of Yugoslavia into a self-contained industrial state, but rather on the expansion of the production of consumer goods (to encourage the farmers into producing more) and on production for export. Hence the exploitation of raw materials is being speeded up, partly with the aid of foreign loans. As will be seen from the accompanying table, Yugoslavia is an important producer of lead, zinc, copper, and bauxite; there are also tungsten, asbestos and extensive beds of oil-shale. A new railroad, which is to connect Belgrade with the Adriatic port of Bar (in old Montenegro), will tap some of the richest agricultural areas *(Please turn to page* 116)

U. S. Grants and Loans to Yugoslavia

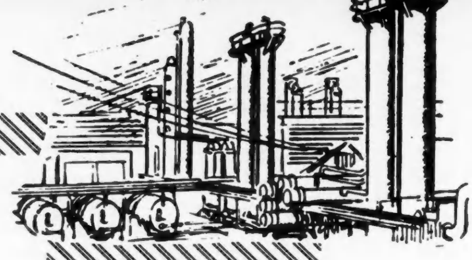
(In millions of dollars)

GRANTS:			
UNRRA	$316.8		
Military assistance (food, army supplies)	16.0	Nov.	1950
Civilian assistance (food)	50.0	Dec.	1950
Civilian assistance (food)	18.0	Jan.	1951
Military assistance (army supplies)	29.0	Apr.	1951
ECA grant, to cover balance of payments	32.5	Aug.	1951
ECA grant, to cover balance of payments	16.3	Jan.	1952
LOANS:			
EXIM Bank, development of mines	20.0	Aug.	1949
EXIM Bank, to cover balance of payments	20.0	Mar.	1950
EXIM Bank, machinery & food	15.0	Aug.	1950
World Bank	28.0		

NOTE: *The tripartite program of economic assistance to Yugoslavia agreed upon at the 1951 conference in London was planned to relieve the economic difficulties being encountered by Yugoslavia during fiscal 1952. According to the terms of the agreed program, Yugoslavia received approximately $120,000,000 during that period as balance-of-payment support from the United States, the United Kingdom, and France.*

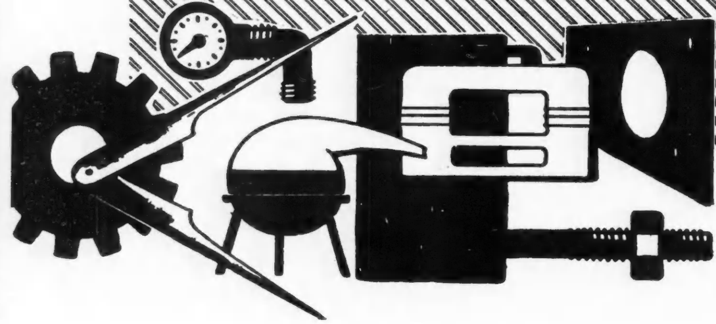
The Second Tripartite Conference on Economic Assistance to Yugoslavia recommended the continuation of economic assistance to Yugoslavia during fiscal 1953, although at a reduced volume of total aid. The participating countries, under the new program, agreed to extend aid amounting to about $99,000,000, of which the United States would contribute $78,000,000, the United Kingdom would contribute $12,600,000 and France would furnish $8,400,000.

(a) J. V. Mladek, E. Sturc, M. R. Wyczalkowski: The Change in the Yugoslav Economic System, November 1952.



The Chemicals

—A Study of Individual Company Potentials



By STANLEY DEVLIN

Nowhere has the magic attributed to Aladdin's lamp been more realistically portrayed in our times than in the chemical industry's fabulous research laboratories. Marvels brought to life in an incredibly short time include wonder drugs that have lengthened life's span, synthetic rubber which undoubtedly contributed significantly to our winning World War II, an array of magnificent textiles no longer dependent on natural fibres, a great variety of plastics opening extensive industrial potentials and numerous detergents and similar cleansing agents.

This brief list of new products affords only a partial survey of astonishing contributions to today's industrial output that originated in chemical research in recent years. The mention of these well known products familiar to everyone is significant, however, for a glimpse at the types of products included in the summary illustrates a point that should not be overlooked by investors—namely, the fact that new chemical products serve the extensive consumer goods market. A high percentage of synthetics goes into textiles, plastics and rubberized goods as well as into foods, pharmaceuticals, etc., for which an almost constant demand has been created. Consumption of such chemicals is unlikely to be seriously disturbed by business fluctuations.

Fundamental Factors Affecting Chemicals

Surveying the outlook for chemical producers, it is well to bear in mind the dynamic growth potentialities in developing new products and in opening undreamed of markets for older items; one should not overlook the strong trend toward concentration of consumer items encouraging stability of demand; and, finally, the outlook for progress consistent with growth in population should be taken into account. From a financial viewpoint, moreover, it is important to keep in mind the benefits of better-than-average profit margins, low labor costs, strong financial structures, ready adaptability to mechanization and betterment possible through elimination of excess profits taxes.

Some of these factors will be discussed here in greater detail along with observations on production and distribution problems and other pertinent matters. Statistical information to supplement brief commentaries on individual companies will be found in the accompanying tabulations. In this connection, it may be pointed out that a similar survey of the oil industry in this issue may be helpful, inasmuch as petrochemicals have made great strides in recent years and several oil concerns have expanded operations considerably in production of chemicals.

Rapid strides of chemical products in industry are not readily appreciated unless one consciously observes new types of materials from which familiar household goods are made. Synthetics have taken such a strong hold on textiles and numerous utensils in the home that one may readily appreciate the extent to which older materials have been displaced. The trend becomes clearer in an examination of production statistics. It may be noted, for example, that while industrial output has climbed to around 241 per cent of the 1935-1939 average, as measured by the Federal Reserve Board, chemical consumption has risen well above 300 per cent and industrial chemical output alone has climbed to within striking distance of 600 per cent, a new all-time high.

Details of Expansion

Almost sensational gains have been achieved in plastics and detergents. Polyester resins, reinforced by varied means, are lighter than aluminum, but

possess greater strength than steel and permit the use of color to encourage saleability of products. Enlargement of the market for home washing machines has stimulated consumption of detergents. Numerous chemicals used in making synthetic fibres also have expanded sharply. Output of ammonia, chlorine and benzene has doubled and tripled to supply a constantly increasing demand in many new industrial markets.

Financing of Growth

Production facilities have been enlarged at a rapid rate. The chemical industry probably is second only to steel in its expenditures on new plant facilities in the last year or two. Some new installations have been built to supply materials for national defense and, for that reason, have utilized certificates of necessity providing rapid amortization; but a large part of growth has been financed out of retained earnings. The industry's record of averaging a 10 per cent gain annually seems likely to continue.

The industry's phenomenal growth record has won for it a high regard on the part of investors. This observation is supported by the fact that representative chemical stocks have had wide acceptance in institutional and in individual portfolios and have proved among the most rewarding of any group in recent years. The popularity of chemicals in today's uncertain business world is readily explained by the fact that chemical products contribute to defense needs as well as to civilian markets. It has been pointed out that new chemical products have been channeled largely to consumer goods industry, noted for its stability in good times and bad.

Chemistry has achieved its greatest progress in industrial applications since researchers discovered new techniques for separating or "cracking" crude oil into its many components. Standard Oil Company (New Jersey) chemists are reputed to have been the first to make this significant discovery more than 30 years ago. After breaking the hydrocarbons into simple gases or "building blocks" they converted them through synthesis into basic chemicals. By means of polymerization, the simple molecules were linked into chains to form previously unknown chemicals.

Developing slowly in the 1920's, the petrochemical industry began to gain momentum in the following decade and achieved greatness in the war years, when urgency of shortages in critical materials spurred research activities. Progress was encouraged by the realization that chemical products proved far more profitable than the crude oil from which they were refined. Despite outstanding growth, chemicals still consume scarcely more than 1 per cent of domestic crude oil output, suggesting what still may be accomplished in perfection of new discoveries. Abundance of raw materials may encourage development of additional chemical items.

There is no doubt but that progress in this field has given impetus to attainment of higher living standards. New industries have come into being to expand employment and national income. Agricultural production has been stimulated and food crops have been enlarged with the use of petrochemicals—all to the benefit of the nation. Moreover, national defense has been immeasurably strengthened.

More than half of the country's organic chemicals originates from petrochemical materials. Authorities in the petroleum industry insist that petroleum based ingredients are utilized in making four-fifths of aliphatic organic chemicals and anywhere from one-third to two-thirds of the nation's industrial alcohol requirements, depending on competitive conditions in molasses imported from Cuba. So popular have detergents and synthetic soaps proved that it is estimated they account for about two-thirds of

Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share			Dividends Per Share			Recent Price	Div. Yield†	Price Range 1952-53
	1952	1951	1950	1952	1951	1950			
Air Reduction	$2.25	$2.69	$3.15	$1.40	$1.40	$1.00	28	5.0%	29⅝- 24
Allied Chemical & Dye	4.55	4.58	4.65	3.00	3.00	3.00	73	4.1	78⅜- 67¼
American Cyanamid	3.07	4.04	4.50	2.00	2.00	2.31	51	3.9	59¾- 47¼
Atlas Powder	3.21	3.24	4.26	2.00	2.30	1.25	34	5.8	44½- 31½
Columbian Carbon	2.69	3.39	3.81	2.00	2.25	2.25	48	4.2	61½- 42⅞
Commercial Solvents	.94	2.22	1.96	1.00	1.25	1.25	20	5.0	35⅛- 17⅜
Davison Chemical	3.24	4.18	4.20	1.50	1.50	1.50	35	4.2	49 - 33¾
Diamond Alkali	2.18	2.94	2.23	1.50	1.22½	1.12½	32	4.7	43 - 29
Dow Chemical	1.65	2.00	1.80	.80[1]	.80[1]	.67[1]	38	2.1	44¼- 36½
Du Pont	4.70	4.64	6.59	3.55	3.55	5.35	97	3.6	100¼- 79⅝
Food Machinery & Chemical	3.15[2]	4.01	3.35	2.00	1.75	1.12½	39	5.1	56¼- 38⅜
Freeport Sulphur	3.05	2.63	2.82	2.00	1.83	1.83	47	4.2	51¾- 35¾
Hercules Powder	4.03	4.95	5.29	3.00	3.00	3.30	68	4.4	78¼- 66½
Heyden Chemical	.65	1.92	1.88	.87½	1.00	.80	16	5.4	24⅜- 14⅛
Hooker Electrochemical	2.90	3.46	3.84	2.00	2.00	2.00	61	3.2	66¼- 50½
International Minerals & Chemical	2.90	3.06	3.40	1.60	1.60	1.40[1]	34	4.7	41¾- 31¼
Koppers Company	4.29	6.32	6.81	2.50	2.50	3.00	37	6.5	49⅞- 35⅜
Mathieson Chemical	3.44	3.56	3.32	2.00	1.70	1.50	39	5.1	49¼- 37½
Monsanto Chemical	4.29	4.70	5.37	2.50	2.50	2.62½	90	2.8	109½- 82½
Nopco Chemical	1.67	2.26	2.59	1.20	1.45	1.50[1]	18	6.6	26⅜- 18
Pennsylvania Salt Mfg.	2.59	3.55	4.02	1.70	2.00	2.25	46	3.6	67¾- 46
Pittsburgh Coke & Chemical	2.12	4.08	4.77	1.25[1]	1.25[1]	1.20	25	5.0	37½- 24⅛
Rohm & Haas	5.73	7.48	8.92	1.60[1]	1.60[1]	1.45[1]	125	1.3	155 -110
Spencer Chemical	3.61	4.23	4.39	2.00	1.80	1.40	51	3.9	53⅛- 38¼
Texas Gulf Sulphur	7.52	7.62	7.75	7.00	5.50	5.50	99	7.0	116¾- 94¼
Union Carbide & Carbon	3.41	3.61	4.31	2.50	2.50	2.50	67	3.7	72⅞- 57
United Carbon	4.52	4.58	4.23	2.50	2.50	2.10	55	4.5	70½- 55
U. S. Potash	2.90	3.33	3.13	2.00	2.00	1.75	31	6.4	37½- 30¾
Victor Chemical	1.39	1.60	2.23	1.05	1.05	1.12½	26	4.0	32 - 24⅝

†—Based on 1952 dividends. [1]—Plus stock. [2]—Estimated.

Comprehensive Statistics Comparing the Position

Figures are in million dollars, except where otherwise stated.	Air Reduction	Allied Chemical & Dye	American Cyanamid	Atlas Powder	Commercial Solvents	Davison Chemical	Diamond Alkali
CAPITALIZATION:							
Long Term Debt (Stated Value)	$25.1	$50.0	$111.5	$5.0	$25.0	$9.9	$12.4
Preferred Stocks (Stated Value)	$24.8	....	$8.8	$6.8	....	$6.4	$12.0
Number of Common Shares Outstanding (000)	2,737	8,856	8,537	544	2,636	642	2,262
TOTAL CAPITALIZATION	$77.9	$94.2	$205.8	$22.7	$31.5	$16.9	$47.0
INCOME ACCOUNT: For Fiscal Year Ended	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	6/30/52	12/31/52
Net Sales	$124.6	$490.1	$368.4	$52.9	$50.2	$49.5	$76.6
Depreciation, Depletion, Amortization, etc.	$4.9	$15.2	$18.2	$1.5	$2.1	$1.4	$4.0
Income Taxes	$8.9	$40.1	$20.0	$2.2	$.9	$2.7	$5.2
Interest Charges	$.7	$.6	$3.2	$.2	$.6	$.1	$.4
Balance for Common	$6.1	$40.3	$26.2	$1.7	$1.3	$2.1	$4.9
Operating Margin	12.7%	15.5%	10.9%	8.1%	4.2%	11.6%	14.5%
Net Profit Margin	5.8%	8.2%	7.2%	3.8%	2.7%	4.2%	7.1%
Percent Earned on Invested Capital	7.7%	14.1%	11.2%	7.6%	3.6%	6.0%	8.4%
Earned Per Common Share*	$2.25	$4.55	$3.07	$3.21	$.52	$3.24	$2.18
BALANCE SHEET: Fiscal Year Ended	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	6/30/52	12/31/52
Cash and Marketable Securities	$25.8	$97.6	$138.7	$8.4	$10.2	$7.3	$3.3
Inventories, Net	$21.0	$49.9	$67.4	$7.5	$13.3	$5.9	$13.7
Receivables, Net	$16.0	$46.3	$40.1	$6.7	$10.5	$4.7	$8.2
Current Assets	$63.8	$193.9	$246.3	$22.7	$34.1	$18.2	$25.2
Current Liabilities	$15.7	$70.7	$69.2	$5.9	$5.2	$3.2	$15.0
Net Current Assets	$48.1	$123.2	$177.1	$16.8	$28.9	$15.0	$10.2
Fixed Assets, Net	$69.7	$548.1	$155.6	$14.9	$30.3	$18.5	$64.6
Total Assets	$135.6	$768.4	$419.8	$38.1	$68.5	$46.6	$91.9
Cash Assets Per Share	$9.43	$11.02	$16.24	$15.44	$3.89	$11.37	$1.47
Current Ratio	4.0	2.7	3.5	3.8	6.5	5 .7	1.6
Inventories as Percent of Sales	16.9%	11.2%	18.3%	14.3%	26.6%	12.1%	17.9%
Inventories as Percent of Current Assets	32.9%	25.7%	27.4%	33.5%	39.2%	32.7%	54.5%
Total Surplus	$41.3	$241.2	$143.4	$8.9	$30.8	$26.4	$30.2

n.a.—Not available.

the soap market. Impressive progress at the expense of natural fibres has been made by synthetics such as Orlon, Dynel, Dacron—not to mention nylon, which has virtually superseded pure silk in textile applications.

Expanding Use of Petrochemicals

A great many more uses for petroleum based chemicals are less familiar to the consuming public. These include ammonia, widely used in the fertilizer industry; glycerine and the number of other ingredients which have revolutionized paint making; a variety of anti-freezes and insecticides together with numerous types of soil conditioners and plant stimulants; chlorinated waxes, polystyrene plastics, emulsifiers, refrigerants, butyl rubber, dry cleaning agents, nitrile rubber, paper coatings, anesthetics, cosmetics and a host of other less familiar products. It has been estimated that as many as 500,000 compounds could be synthesized from petroleum gases if sufficient uses could be found for them.

In view of the industry's rapid expansion of productive facilities, one may doubt whether growth is likely to continue at such a rapid pace. What about the outlook for coming months? It is true that output has been greatly enlarged and that shortages which had made possible relatively wide profit margins no longer exist. Nevertheless, one must remember that a high percentage of chemical products goes into consumer goods and that markets steadily are expanding in line with the rapid growth of population. Moreover, expansion in volume contributes to earnings improvement even though unit profits may drop. Labor costs generally are low in comparison with most other industries. Competition may be expected to intensify, but the chemical industry seldom has suffered from price-cutting induced by excessive production.

Plant capacity has been enlarged partly as a protective measure for the military forces. Large capital investment, characteristic of the chemical industry, has involved an increase in indebtedness and retention of substantial earnings. Some products may be in temporary oversupply for a greater part of the year, but new uses may be found for materials or production may be curtailed. The industry is looking forward confidently to eventual markets for present capacity. In this connection, it is reassuring to observe estimates of potential consumption for typical products a few years hence.

Government surveys foresee demand for chemicals by 1975 far in excess of current needs. As an example, consumption of phenol is projected at 2,806 million pounds by 1975, compared with only 311 million in 1950; styrene requirements are estimated at 3,935 million pounds, compared with 540 million three years ago; similarly, phenomenal gains are anticipated for napthalene and acetylene.

of Leading Chemical Companies

Dow Chemical	Du Pont	Hercules Powder	Heyden Chemical	Hooker Electro-Chemical	International Minerals & Chemical	Mathieson Chemical	Monsanto Chemical	Spencer Chemical	Union Carbide & Carbon	Victor Chemical
$251.0	....	....	$5.0	$20.0	$11.9	$80.5	$97.0	$15.0	$240.0	$9.0
$31.2	$268.8	$9.6	$13.2	$5.0	$9.8	$18.0	$15.0	$14.4	....	$13.9
21,433	45,247	2,678	1,076	971	2,161	5,440	5,268	1,000	28,806	1,534
$387.7	$495.3	$26.5	$19.5	$29.8	$32.6	$125.7	$138.4	$35.5	$448.5	$21.6
5/31/52	12/31/52	12/31/52	12/31/52	11/30/52	6/30/52	12/31/52	12/31/52	6/30/52	12/31/52	12/31/52
$407.1	$1,613.0	$181.5	$22.2	$36.5	$84.5	$147.1	$266.7	$28.7	$956.9	$35.6
$32.8	$95.3	$7.8	n.a.	$2.4	$3.3	$8.2	$13.1	$2.2	$54.2	$2.3
$73.7	$369.6	$20.8	$.7	$5.8	$3.0	$9.8	$18.1	$6.4	$128.9	$2.8
$2.7	....	....	$.1	$.3	$.4	$1.8	$3.3	$.5	$6.6	$.2
$34.6	$212.9	$10.7	$.7	$2.8	$6.2	$12.6	$22.6	$3.6	$98.3	$2.1
26.2%	30.9%	17.9%	10.6%	17.0%	11.7%	16.0%	16.6%	38.8%	22.2%	15.3%
8.8%	13.8%	6.1%	5.4%	8.3%	7.8%	9.2%	8.6%	14.7%	10.2%	7.4%
12.4%	14.4%	14.1%	4.1%	11.4%	9.6%	9.0%	10.8%	14.3%	16.0%	8.7%
$1.65	$4.70	$4.03	$.65	$2.90	$2.90	$3.44	$4.29	$3.61	$3.41	$1.39
5/31/52	12/31/52	12/31/52	12/31/52	11/30/52	6/30/52	12/31/52	12/31.52	6/30/52	12/31/52	12/31/52
$112.6	$266.4	$30.4	$8.6	$13.3	$11.1	$16.9	$49.9	$24.2	$128.1	$7.3
$76.6	$205.2	$27.2	$4.9	$6.2	$14.8	$49.2	$53.2	$2.4	$225.0	$6.0
$43.5	$132.2	$16.2	$2.3	$3.8	$7.0	$35.3	$37.6	$1.4	$119.6	$3.4
$23.8	$603.9	$73.9	$15.9	$23.4	$33.0	$101.6	$140.7	$28.2	$472.7	$17.2
$193.4	$124.7	$29.8	$3.4	$3.6	$5.1	$24.4	$29.8	$8.2	$210.9	$2.4
$39.4	$479.2	$44.1	$12.5	$19.8	$27.9	$77.2	$110.9	$20.0	$261.8	$14.8
$388.8	$1,178.1	$50.3	$16.9	$26.1	$51.7	$201.8	$188.7	$22.5	$574.5	$22.1
$634.6	$2.371.1	$126.0	$34.7	$51.2	$86.1	$320.1	$352.9	$52.4	$1,072.1	$41.6
$5.26	$5.89	$11.38	$8.03	$13.70	$5.14	$3.10	$9.47	$24.20	$4.40	$4.81
1.2	4.8	2.5	4.7	6.0	6.4	4.1	4.8	3.4	2.2	7.2
18.8%	12.7%	14.9%	22.4%	17.0%	17.5%	33.5%	20.0%	8.5%	23.5%	17.0%
32.9%	34.0%	36.8%	31.3%	26.5%	44.8%	48.4%	38.0%	8.6%	47.5%	34.9%
$153.4	$1,053.7	$53.0	$15.0	$17.8	$48.4	$96.4	$171.4	$8.9	$406.0	$8.6

*—Data on dividend, current price of stock & yields on supplementary table on preceding page.

Effect of E.P.T. Ending

Although the possibility of keener competition and slackening demand may trim profit margins this year, earnings would stand to benefit from suspension of excess profits taxes. Representative companies in this industry have been handicapped by burdensome levies based on either earnings or invested capital formulas. Tax relief is destined to be obtained by many concerns from rapid amortization of new facilities constructed under certificates of necessity. In general, it seems possible that pretax earnings of the larger and stronger concerns may expand this year—partly as a result of the absence of slump in demand such as experienced in the 1952 steel strike—and net income may range as much as 5 per cent above 1952 results on the average.

Excessive capacity may be evident in ammonia, chlorine and in caustic soda, output of which increased sharply last year. Supplies of alcohol seem likely to be larger than demand for a time, especially since molasses production again may be abundant. Nevertheless, the competitive situation in the latter product seems more satisfactory than at this time last year. Sulphur and sulphuric acid, on the other hand, still are in strong demand and command premium prices in some cases. Sulphur producers raised quotations $3 a ton following the removal of price controls.

Despite similarities among many major chemical producers, earnings prospects may differ and, accordingly, individual appraisals are important in evaluating potentialities of stocks as long term investments. Brief observations, for which relevant statistical information may be found in the accompanying tabulations, are presented below:

Air Reduction, the second largest producer of industrial gases, has concentrated in recent years on diversifying operations so that output may be less dependent on the steel and metal-working industries. Encouraging progress has been made and management is optimistic over development of newer activities. Despite an increase in sales in the face of the prolonged steel strike, net income declined to $2.25 from $2.69 a share in 1951. Heavier amortization charges on new facilities appear largely responsible.

Allied Chemical & Dye, one of the largest producers of heavy chemicals, has been stressing development of light chemicals and end-products affording wider profit margins. With the benefit of non-recurring capital gains from the sale of investments, net profit of $4.55 a share virtually duplicated the previous year's $4.58 a share. Indications point to improvement this year in reflecting a larger volume of more profitable chemicals.

American Agricultural Chemical, regarded as the largest producer of fertilizers, has strengthened its competitive position with development of a packaged fertilizer product and (*Please turn to page* 114)

Five Unusual Candidates

For Stock Splits

By OUR STAFF

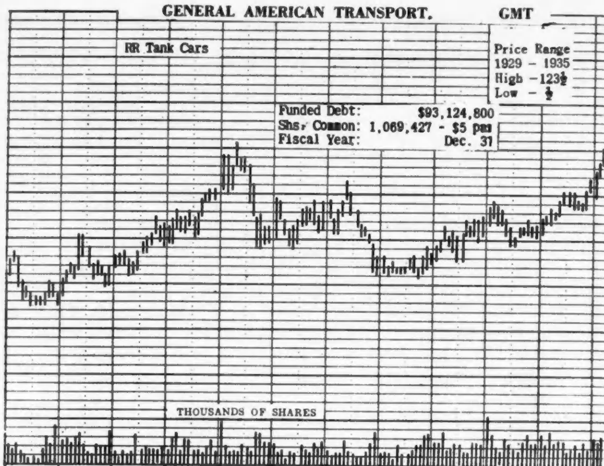
Confused tendencies in the market which have made their appearance in the last several weeks, following rumors of peace, have naturally tended to cast some doubt on the immediate future of stock prices. Clearly, this is a detriment to companies contemplating stock splits that would normally prefer a more advantageous time to effect changes in their capitalizations. It may be assumed, therefore, that as long as this uncertainty continues, the number of companies splitting their stocks in intervening months will be more limited than would otherwise be the case.

In any event, companies delaying action in splitting their shares will most likely do so until present uncertainties are dissipated, putting their plans into operation when market conditions are more propitious. The reason is that companies contemplating stock splits base their action, not on extraneous and temporary conditions, but on such strong fundamentals as the build-up of surplus and increased earning power over the last few years or more, warranting and making advisable the splitting of the shares. Naturally, it may be presumed that these fundamentals are the determining factors in bringing about a change in capitalization.

Although several hundred companies have split their shares since the end of World War II, there are still a number that appear to be in line to take similar action this year or next. We have made a survey of these remaining companies, and out of the group we have picked five which appear to be definite candidates for stock splits and which merit investor consideration from the standpoint of their earnings potential and generous dividend prospects.

These issues, in our opinion, should be closely followed in conjunction with Mr. A. T. Miller's market articles, in order to take advantage of more favorable prices which a further decline in the market would produce.

On this and adjacent pages, we present concise reviews, together with pertinent statistical data relating to the five companies selected.



1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
3.20	4.12	2.86	2.73	3.45	6.60	5.72	5.62	4.95	5.76	6.06	
2.00	2.25	2.50	2.50	2.50	2.75	3.25	3.00	3.00	3.50	3.50	
14.2	21.2	20.7	23.1	23.0	35.1	32.1	32.3	78.3	31.5	33.0	Wkg Ca

GENERAL AMERICAN TRANSPORTATION CORP.

BUSINESS: Owns and operates a fleet of about 60,000 tank, refrigerator and other special types of rail freight cars. Through its several divisions the company also builds and services freight cars, owns and operates tank storage terminals, produces equipment for the food, chemical and other industries, manufactures plastics products, and recently developed a nickel plating process that may prove revolutionary.

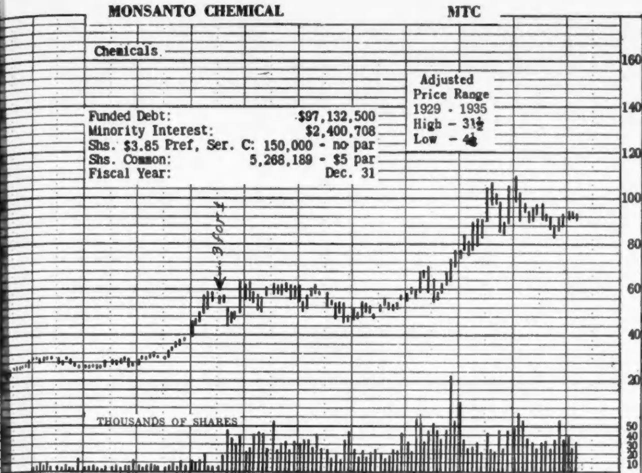
OUTLOOK: The history of General American Transportation is one of consistent growth over a number of years ,during which it has become ever more firmly entrenched in its specialized field of tank, refrigerator and other types of railroad freight cars while, at the same time, widening its scope of activities as a manufacturer of diversified products. The extent to which the company has developed in these fields is shown with striking clearness in its 1952 earnings statement, with gross income of $136.6 million. This was $17 million greater than the 1951 income and more than twice that reported for 1946, the first postwar year. A notable feature of 1952 operations was that manufacturing contributed $68.2 million and services $68.4 million to total gross income. This compares with $58.2 million from manufacturing and $61 million from services in the previous year. Net earnings in 1952 of $6.06 per share of common stock, the only issue outstanding, compares with $5.76 a share earned in 1951, and $4.95 realized in 1950. The outlook for 1953 is for a continuation of earnings uptrend, based on further growth of the company's leasing business, a better steel supply and the improved competitive position for field erection business upon completion this year of another steel fabricating plant in Utah, plus the potentials of the new nickel plating facilities scheduled to go into operation this summer. Paralleling the physical expansion of the company is its financal growth, with no material change in the capital stock in almost a decade, an important consideration in a potential stock-split. In the last six years alone, net property account now at $142.5 million, increased $84.1 million, while capital and earned surplus has grown to $77 million.

DIVIDENDS: The company's dividend record goes back to 1919 without a break. Currently, payments are at the rate of $3.50 a share annually.

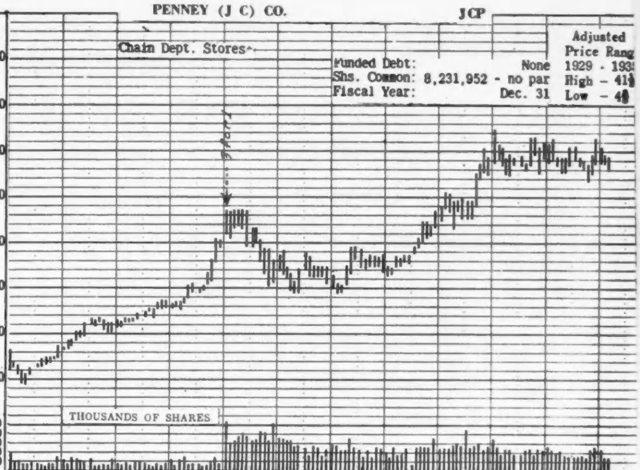
MARKET ACTION: Recent price of 66¼, compares with a 1952-53 price range of High—70¼, Low—51¼. At current price the yield is 5.2%.

COMPARATIVE BALANCE SHEET ITEMS

	1942	December 31 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,100	$ 7,498	+$ 1,398
Receivables, Net	6,198	19,120	+ 12,922
Inventories	7,887	27,147	+ 19,260
TOTAL CURRENT ASSETS	20,185	53,765	+ 33,580
Net Property	74,924	142,524	+ 67,600
Investments	1,987	10,752	+ 8,765
Other Assets	2,394	1,488	— 906
TOTAL ASSETS	$ 99,490	$208,529	+$109,039
LIABILITIES			
Debt Payable	$ 4,683	$ 1,260	—$ 3,423
Accounts Payable	4,582	11,600	+ 7,018
Accruals	233	1,137	+ 904
Tax Reserve	1,119	6,685	+ 5,566
TOTAL CURRENT LIABILITIES	10,617	20,682	+ 10,065
Reserves	1,390	1,575	+ 185
Minority Interest	115	....	— 115
Funded Debt	22,969	103,843	+ 80,874
Common Stock	5,205	5,264	+ 159
Surplus	59,194	77,065	+ 17,871
TOTAL LIABILITIES	$ 99,490	$208,529	+$109,039
WORKING CAPITAL	$ 9,568	$ 33,083	+$ 23,515
CURRENT RATIO	1.9	2.6	+ .7



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	.25	1.19	1.10	1.16	2.37	3.59	3.95	3.74	5.37	4.70	4.29	
DIV.	.75	.75	.75	.75	1.08⅓	2.00	2.00	2.00	2.62½	2.50	2.50	
Wkg Cap $ Mil	1.8	25.1	28.1	36.7	61.3	38.7	51.9	59.9	88.1	63.8	110.9	



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	2.19	2.14	2.08	2.11	4.31	4.29	5.80	5.08	5.46	4.07	4.52	
DIV.	1.66⅔	1.66⅔	1.66⅔	1.66⅔	2.70	1.50	2.50	2.50	3.00	3.50	3.25	
Wkg Cap $ Mil	69.9	72.4	71.8	84.1	95.5	103.3	125.1	139.1	154.9	157.8	162.4	

MONSANTO CHEMICAL COMPANY

BUSINESS: The company produces a diversified line of products, including heavy, medicinal and fine chemicals, plastics, plasticizers, insecticides, detergents for use in agriculture and the various industries. Has a joint interest in Chemstrand Corp., now producing Acrilan and scheduled to start nylon production in 1954.

OUTLOOK: The last splitup of Monsanto's common stock was made on a 3-for-1 basis in 1946. In that year, net sales of the company had reached $99.5 million. Net for the common, before the split, was equal to $7.11 a share. In the intervening years, the company continued, and in some segments, accelerated its program of expansion in both products and manufacturing plants, achieving such diversification of products that it is perhaps the most diversified company in the chemical industry. With the exception of 1952, its net sales have climbed steadily to new records in each successive year to a 1951 high of $272.8 million. Despite a number of major industry-wide strikes, such as that of the oil refinery and steel workers and their effect upon other industries, Monsanto's sales last year amounted to $266.7 million and per share earnings equalled $4.29 against $4.70 in 1951 when there were 400,000 less shares outstanding. Through its great research facilities, the company is constantly creating new products. Its research expenses in 1952 amounted to $8.8 million. That year also showed the greatest increase in expansion of facilities, $72.6 million being expended for replacements and additions, following $38.3 million spent for similar purposes in 1951, not including the investment in the Chemstrand Corp., now totaling $15 million. Since the end of 1946, Monsanto's net property account has grown from $92.3 million to $269.3 million, an increase of $177 million, as at Dec. 31, 1952. Working capital during the year increased $47 million to $110.9 million, and current assets were 4.7 times current liabilities, with surplus account standing at $171.4 million, or six and one-half times balance sheet value of the outstanding common stock.

DIVIDENDS: Dividends on the common stock have been paid in each year since 1925. The current rate of payments is $2.50 a share annually.

MARKET ACTION: Recent price of 88¾, compares with a 1952-53 price range of High—109½, Low—82½. At current price the yield is 2.8%.

COMPARATIVE BALANCE SHEET ITEMS

	1942	December 31 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 7,718	$ 49,891	+$ 42,173
Receivables, Net	9,036	37,606	+ 28,570
Inventories	11,088	53,226	+ 42,138
TOTAL CURRENT ASSETS	27,842	140,723	+ 112,881
Net Property	37,314	188,764	+ 151,450
Investments	1,564	18,326	+ 16,762
Other Assets	2,144	5,130	+ 2,986
TOTAL ASSETS	$ 68,864	$352,943	+$284,079
LIABILITIES			
Accounts Payable & Accruals	$ 3,128	$ 27,524	+$ 24,396
Tax Reserve	1,924	1,219	— 705
Other Current Liabilities	906	1,061	+ 155
TOTAL CURRENT LIABILITIES	5,958	29,804	+ 23,846
Reserves	3,581	7,710	+ 4,129
Other Liabilities	489	5,541	+ 5,052
Long Term Debt	....	97,070	+ 97,070
Preferred Stock	21,000	15,000	— 6,000
Common Stock	12,417	26,341	+ 13,924
Surplus	25,419	171,477	+ 146,058
TOTAL LIABILITIES	$ 68,864	$352,943	+$284,079
WORKING CAPITAL	$ 21,884	$110,919	+$ 89,035
CURRENT RATIO	4.7	4.7	....

J. C. PENNEY COMPANY, INC.

BUSINESS: Through 1,632 stores located in all 48 states, J. C. Penney Co., operating only on a cash basis, sells men's, women's and children's shoes, clothing and other wearing apparel and accessories, notions, household goods and related merchandise.

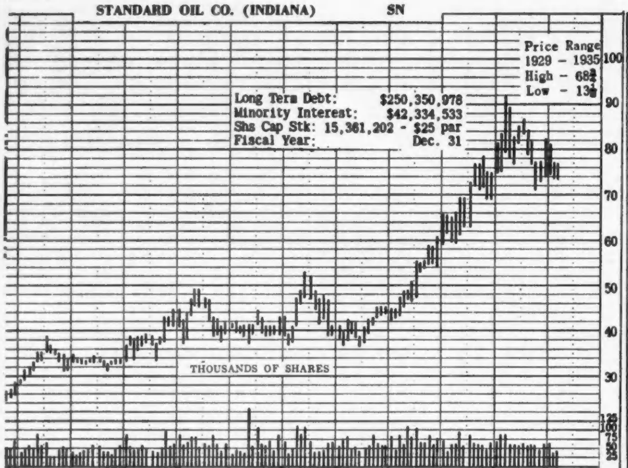
OUTLOOK: The record of the Penney company has been one of almost constant growth from its inception in 1902. By adhering to a policy of confining most of its merchandise to medium-priced brackets and locating its retail stores in strategic areas, it has been able to make the greatest appeal to the greatest number of the buying public. By 1945, when the company split its common stock three-for-one, sales volume had climbed to $549 million with net earnings on the stock before the split being equal to $6.25 a share. Since then the increase in sales volume has risen at a faster pace, passing the billion dollar mark in 1951, and increasing in 1952 by $39 million to another record high of $1,079 million. Keeping pace with the rise in sales, net earnings in 1952 increased to $4.52 a share, as compared with $4.07 in 1951, notwithstanding the fact that Federal income taxes, including $7.7 million excess profits tax, took $54.6 million of income, the equivalent of $6.63 per share of stock. In spite of this tax load, Penney is fast building its position to a point surpassing that of 1945. In 1952, average sales per store of $662,633 fell just short of being double the 1945 average. After dividends last year, $8.3 million was retained for reinvestment in the business, bringing the total of retained earnings over the eight years to the end of 1952 to $107 million, and a grand total of $171.8 million, equal to five times balance sheet value of outstanding common stock. This helps place J. C. Penney in a position to split the stock again. The company closed 1952 with cash and Government securities totaling $145.3 million, this being part of current assets of $307.7 million, 2.11 times current liabilities of $145.3 million.

DIVIDENDS: Payments, inaugurated in 1926, have been maintained without interruption. The present quarterly rate is 50 cents ,augmented by $1.50 extra early this year.

MARKET ACTION: Recent price of 67½, compares with a 1952-53 price range of High—72¾, Low—63¾. At current price the yield is 5.1%.

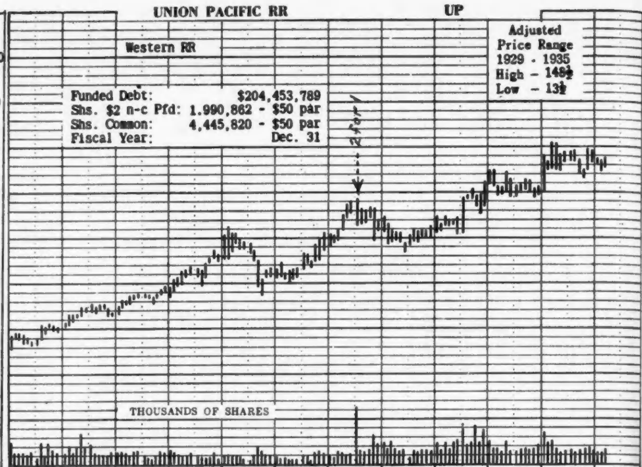
COMPARATIVE BALANCE SHEET ITEMS

	1942	December 31 1952 (000 omitted)	Change
ASSETS			
Cash	$ 64,988	$112,468	+$ 47,480
Marketable Securities	30,015	32,895	+ 2,880
Receivables, Net	520	2,417	+ 1,897
Inventories	58,412	159,984	+ 101,572
TOTAL CURRENT ASSETS	153,935	307,764	+ 153,829
Net Property	18,804	36,621	+ 17,817
Investments	065	7,246	+ 7,181
Other Assets	3,937	2,585	— 1,352
TOTAL ASSETS	$176,741	$354,216	+ 177,475
LIABILITIES			
Accounts Payable and Accruals	$ 18,929	$ 73,884	+$ 54,955
Tax Reserve	45,498	55,007	+ 9,509
Other Current Liabilities	18,792	16,464	— 2,328
TOTAL CURRENT LIABILITIES	83,219	145,355	+ 62,136
Reserves	2,548	2,877	+ 329
Common Stock	33,823	34,123	+ 300
Surplus	57,151	171,861	+ 114,710
TOTAL LIABILITIES	$176,741	$354,216	+$177,475
WORKING CAPITAL	$ 70,716	$162,409	+$ 91,693
CURRENT RATIO	1.9	2.1	+ .2



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	
3.31	3.62	3.29	4.43	6.21	9.16	6.72	8.09	9.71	7.81		EARN.
1.50	1.50	1.50	1.75	2.00	*2.12½	*2.00	*2.00	*2.25	*2.50		DIV.
186.6	199.5	222.7	189.9	196.2	197.5	264.2	299.5	317.0	405.8	Wkg Cap $ Mil	

* Plus Stock Dividend



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	13.07	9.29	8.34	6.53	5.95	11.35	14.24	10.26	14.80	14.59	14.77	
DIV.	3.00	3.00	3.00	3.00	3.00	3.00	6.50	6.00	5.00	6.00	6.00	
Wkg Cap $ Mil	100.6	122.6	161.2	238.6	199.3	117.0	99.5	96.0	96.0	92.2	117.2	

STANDARD OIL COMPANY (Indiana)

BUSINESS: Ranks as one of the largest producers and refiners of petroleum; also has substantial natural gas production. The company and subsidiaries market output in 41 of the United States.

OUTLOOK: Consolidated net earnings in 1952 of $119.9 million equalled $7.81 a share. Per share net declined from $9.71 in 1951 and $8.09 in 1950, although total income of $1,617 million was at a record high, as compared with $1,559 million in 1951 and $1,170 million in 1949. Partly explaining the lower 1952 net was the refinery workers strike in the Spring of the year, closing down 80% of the company's total refining capacity for three weeks, the effects of the steel strike, and the rigidity of price ceilings. The outlook for 1953 earnings are satisfactory and is aided by the company's expansion in crude oil and natural gas production and chemical products sales. Capital expenditures in 1952 of 204.2 million brought the total for the last four years to $649.5 million, and since the end of World War II to $1,279 million, the greater part of which went to expand production activities and manufacturing. About 82% of total expenditures was financed through retained earnings, plus, depletion, depreciation, etc., aided by issuance in 1952 of $139 million of 30-year convertible debentures, part of which was used to retire over $80 million bank loans, the remainder being applied to expansion needs and increasing working capital, amounting to $412.2 million at the end of 1952. Reflecting these expenditures is the growth of total assets. At the end of 1945, these amounted to $946 million .At the end of 1952, total assets had more than doubled, amounting to $1,964 million. On the same date, the company's cash holdings stood at $111.5 million. U. S. Government and other marketable securities had a cost value of $142.3 million, exclusive of more than 2 million shares of Standard Oil of N. J. Standard of Indiana is one of the few major companies which have not split its shares in recent years.

DIVIDENDS: Payments have been continuous for 59 years. The current quarterly rate is 62½ cents, supplemented in 1952 by 2% in Standard of N. J. shares.

MARKET ACTION: Recent price of 73 compares with a 1952-53 price range of High—81½, Low—73⅛. At current price the yield, on cash basis, is 3.4%.

COMPARATIVE BALANCE SHEET ITEMS

	1942	December 31 1952	Change
ASSETS		(000 omitted)	
Cash	$ 36,525	$111,559	+$ 75,034
Marketable Securities	86,152	142,302	+ 56,150
Receivables, Net	53,181	133,454	+ 80,273
Inventories	102,552	223,851	+ 121,299
Other Current Assets	329	......	— 329
TOTAL CURRENT ASSETS	278,739	611,166	+ 332,427
Net Property	441,626	1,239,609	+ 797,983
Investments	104,885	90,477	— 14,408
Other Assets	19,013	22,624	+ 3,611
TOTAL ASSETS	$844,263	$1,963,876	+$1,119,613
LIABILITIES			
Debt Payable	$ 3,000	$ 8,084	+$ 5,084
Accounts Payable & Accruals	30,256	129,264	+ 99,008
Tax Reserve	41,494	67,940	+ 26,446
TOTAL CURRENT LIABILITIES	74,750	205,288	+ 130,538
Minority Interest	18,843	46,488	+ 27,645
Long Term Debt	20,498	355,260	+ 334,762
Capital Stock	382,122	384,030	+ 1,908
Surplus	348,050	972,810	+ 624,760
TOTAL LIABILITIES	$844,263	$1,963,876	+$1,119,613
WORKING CAPITAL	$203,989	$405,878	+ 201,889
CURRENT RATIO	3.7	3.0	— .7

UNION PACIFIC RAILROAD COMPANY

AREA SERVED: From Council Bluffs, Iowa, and Kansas City, Mo., the Union Pacific system of almost 10,000 miles o froad runs westward through Nebraska and Kansas with one segment veering to serve the growing northwest territory and another southward terminating at Los Angeles.

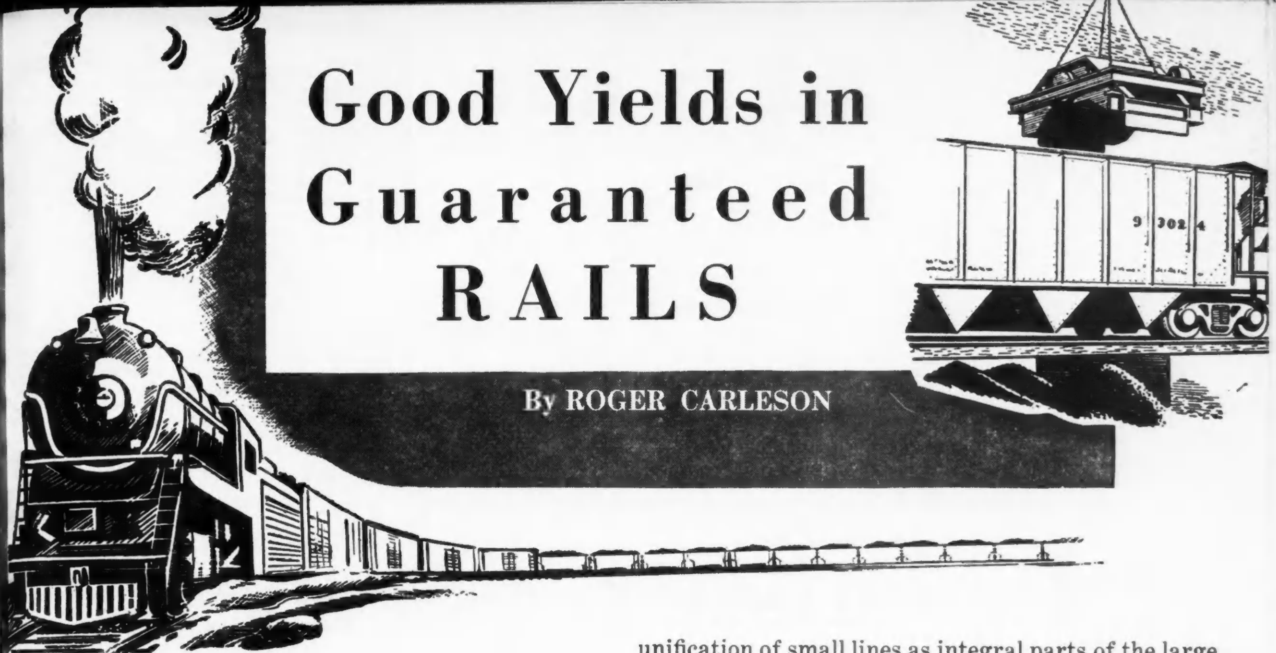
OUTLOOK: Again in 1952, as in the two previous years, net earnings of the Union Pacific company exceeded $14 a share for the common stock. Actual per share net for the year ended Dec. 31, last, amounted to $14.56, comparing with $14.28 in 1951, and $14.80 in 1950. Rail operating revenues also were at a new high for last year. Total revenues of $520.2 million were up over the preceding year by more than $15 million. Two-thirds of this increase was contributed by freight revenues, with express revenues accounting for an additional $2 million. Continuing its policy of maintaining way and equipment at a high level of efficiency 1952 expenditures for this purpose were stepped up to $163.3 million, or by approximately $10 million over 1951. Notwithstanding these high expenditures, along with higher transportation expenses and Federal income taxes, net railway operating revenue amounted to $32.7 million to which is added company income from various other sources, including net income of $33.6 million from oil and gas operations, an increasingly important source of earnings for the company which holds substantial interest in various oil fields in Wyoming, Colorado, and California. During 1952, net road and equipment account increased by $33 million to $1,277 million. At the same time $43.4 million was added to earned surplus to bring this item, at the end of last year, to $543.9 million and net current assets increased by $25 million to $117.2 million. Making up this figure, in part, were cash of $53 million and temporary cash investments of $81.2 million, which combined represented a gain of $37 million over 1951. Obviously, the company is building up toward a situation eventually favoring another stock splitup. Four years ago both the preferred and common were split on a 2-for-1 basis.

DIVIDENDS: The common stock, on a dividend basis since 1900, is currently receiving quarterly payments of $1.25, plus extra of $1.00.

MARKET ACTION: Recent price of 110½, compares with a 1952-53 price range of High—121½, Low—100. At current price the yield is 5.4%.

COMPARATIVE BALANCE SHEET ITEMS

	1945	December 31 1952	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$284,383	$134,346	—$150,017
Receivables, Net	44,925	56,382	+ 11,457
Materials & Supplies	34,734	49,559	+ 14,825
Other Current Assets	11,019	565	— 10,454
TOTAL CURRENT ASSETS	375,061	240,852	— 134,209
Road & Equipment	1,051,742	1,314,178	+ 262,436
Reserve for Depreciation	cr177,910	cr245,977	+ 68,067
Reserve for Amort. & Grants	cr 71,022	cr 77,111	+ 6,089
Investments	115,887	98,991	— 16,896
Sec. Invest. Res. Adj.	cr 33,905	cr 27,817	— 6,088
Other Assets	27,265	5,262	— 22,003
TOTAL ASSETS	$1,287,118	$1,308,378	+$ 21,260
LIABILITIES			
TOTAL CURRENT LIABILITIES	$136,427	$123,643	—$ 12,784
Reserves	13,925	21,417	+ 7,492
Other Liabilities	38,067	13,064	— 25,003
Due Affiliated Cos.	5,414	10,207	+ 4,793
Long Term Debt	366,315	194,703	— 171,612
Preferred Stock	99,543	99,543	......
Common Stock	222,351	222,291	— 060
Earned Surplus	326,873	543,972	+ 217,099
Other Surplus	78,203	79,538	+ 1,335
TOTAL LIABILITIES	$1,287,118	$1,308,378	+$ 21,060
WORKING CAPITAL	$ 238,634	$ 117,209	+$121,425
CURRENT RATIO	2.8	1.9	— .9



Good Yields in Guaranteed RAILS

By ROGER CARLESON

In the quest for liberal yields, consistent with a high degree of safety, investors would do well to consider guaranteed or leased line rail stocks as media for, at least, a portion of their investment funds. These are issues, while varying somewhat from each other in quality by reason of leasing conditions or strategic value of the leased property, offer a return that from the standpoint of safety is comparable with and in some instances better than that on the guaranttor's funded debt. As a matter of fact, many of the guaranteed rail stocks rate equally, in an investment sense, to high grade bonds and because of this as well as their exceptionally good yields, they have a special appeal to large institutional investors such as various fiduciary institutions, insurance companies, college trust funds, with many issues in the group being legal for New York state savings banks.

Guaranteed rail stocks are the outgrowth of the development of the nation's rail systems, a process of unification of small lines as integral parts of the large trunk line systems or the leasing of strategically situated rail properties under lease agreements to run for a long period or in perpetuity. The typical guaranteed or leased line rail stock, therefore, represents ownership of real property with the holder being put in the position of landlord, receiving in exchange for the use of the leased property a rate of return that is usually fixed for a very long period. The investment, with few exceptions, is non-callable. Dividends on guaranteed stocks, preferred, common, or both, are payable on due dates regardless of earnings, as failure to meet the annual lease rental would be tantamount to a default, providing a basis for bankruptcy action against the guarantor or lessee company.

Income Tax as a Factor

Apart from the generally high intrinsic value of guaranteed rail stocks as investments, there has been a trend lately towards acquisition of such issues by guarantors which has (*Please turn to page* 112)

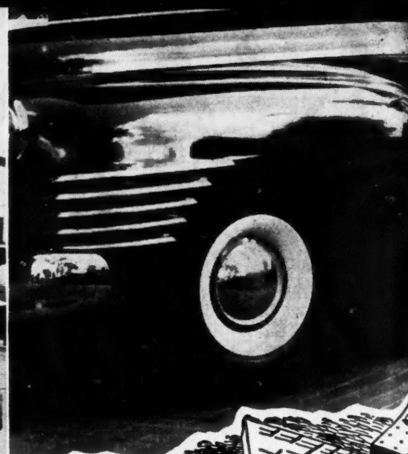
Statistical Data on Guaranteed Railroad Stocks

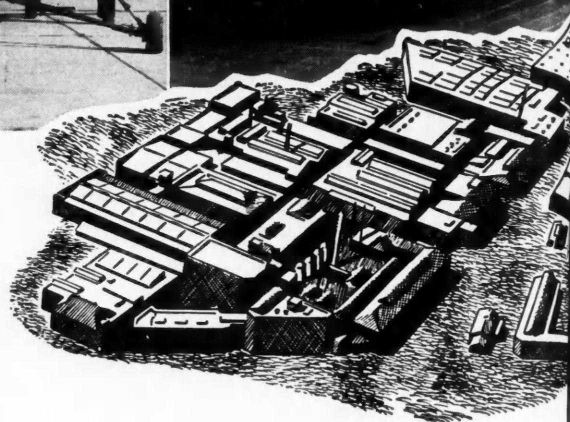
Guaranteed or Leased Line Stock	Guarantor or Lessee System	Par Value	Shares Outstanding	Lease Expires	Approx. Dividend Dates	Dividend Rate	Recent Asked Price[2]	Current Yield*	7 Year Price Range 1946-1952
Allegheny & Western Ry.	Balt. & Ohio	$100	32,000	[1]	JJ1	$6.00	100	6.0%	114 - 83
Beech Creek R.R.	N. Y. Central	50	120,000	2889	(Q)J1	2.00	33	6.1	43¾- 27¼
Boston & Albany R.R.	N. Y. Central	100	250,000	1999	(Q)M31	8.75	100	6.8	150 -100
Canada Southern Ry.	N. Y. Central	100	150,000	2903	FA1	3.00	50	6.0	58 - 35½
Carolina, Clinchfield & Ohio Ry.	A. C. L.-L. & N.	100	250,000	2922	(Q)J20	5.00	111	4.5	137 - 99¾
Cleveland & Pittsburgh R.R. Capital	Pennsylvania	50	224,581	2870	(Q)M1	3.50	75	4.7	106 - 61¼
Delaware & Bound Brook R.R.	Reading	25	72,000	2869	(Q)F20	2.00	47	4.3	57 - 38
Mobile & Birmingham R.R. Pfd.	Southern	100	8,976	1998	JJ2	4.00	88	4.5	96 - 64
North Pennsylvania R.R.	Reading	50	110,453	2869	(Q)F25	4.00	93	4.3	108¼- 82
Northern Central Ry.	Pennsylvania	50	628,675	2910	JJ15	4.00	88	4.5	117½- 75½
Norwich & Worcester Pfd.	N. Y. N. H. & H.	100	30,000	1969	(Q)J1	8.00	128	6.3	175 -103
Pittsburgh, Ft. Wayne & Chi. Ry. Pfd.	Pennsylvania	100	197,188	2868	(Q)J5	7.00	164	4.3	212 -151
Providence & Worcester R.R.	N. Y. N. H. & H.	100	35,000	1991	(Q)D31	10.00	155	6.5	215 -128
United New Jersey R.R. & Canal	Pennsylvania	100	212,404	2870	(Q)J10	10.00	233	4.3	198 -209
West Jersey & Seashore R.R.	Penna.-Reading	50	231,729	2929	JJ1	3.00	63	4.8	85¼- 47

1—In perpetuity

2—Quotations courtesy of Adams & Peck, New York.

*—Based on recent asked price.





12 Promising Specialties

By PHILLIP DOBBS

A quality common to investors, whether they are interested in securities for income or capital gains, is the concentration of attention on stocks representing the more or less basic industries, the chemical, the steels or the oils, for instance.

Quite frequently this fixation on issues holding the market limelight obscures the view of the list as a whole which embraces stocks of companies operating in what may broadly be called specialty fields, specialty only in the sense that their products fall outside the general classifications, and whose shares offer worthwhile opportunities from the standpoint of income return and capital gain through their growth potentials.

By comparison with the more active issues, these specialty stocks, for the most part, are practically dormant, the average spread between their high and low price levels all through 1952 and up to now being not more than five or six points, which in itself reflects a present obscurity that could be suddenly terminated as investors, searching for sound vehicles for their funds, begin to ferret out these issues.

As an aid to our readers, we have made a thorough study of the group and from the total number have selected 12 issues in the most favorable positions. These selections are of companies well entrenched in their respective fields, having extended records of good earnings and with dividend records going back 10, 20 and 45 years or more. The yields at recent market prices average around 5½-6%. Without exception, all enjoy aggressive management and by research and development are building for greater earning power through expanding markets for present products, creating new products, and strengthening their positions through diversification.

The accompanying table lists our selections and sets forth among other figures, their 1952-53 price range, current price and dividend rate, and dividend yield. For the guidance of our readers, we present more detailed summaries of operations, recent earnings and the dividend records of these companies in the following:

Air Reduction Company

An improved outlook in established demand, together with broadening markets for Air Reduction's output of oxygen and acetylene gases, calcium carbide, carbon dioxide and welding equipment point to 1953 net earnings in excess of the $2.25 a share the company showed for 1952. Air Reduction, long an important factor in its field, has undergone a rebirth since the entry in 1949 of new management of its affairs. New processes and products have been developed, plants have been improved by modernization and new productive capacity has been added by the construction of additional plants. Included in the latter development is the new liquid oxygen plant which went into operation in February of this year with a rated capacity of 100 tons a day, and the new calcium carbide plant in Calvert City, Ky., capable of producing 142,500 tons annually that went into production only last January. Plans have already been completed to double this capacity by early 1954 to meet rising demand for acetylene from manufacturers of various synthetics and plastics.

Another new plant to produce liquid oxygen, nitrogen and argon, is scheduled for completion sometime next year, adding to the company's revitalized growth possibilities and restoring the common stock to its former investment status. During the last year net property account increased by $11.2 million to $69.7 million. Included in current assets totaling $62.9 million were marketable securities of $12.2 million and cash of $13.6 million, against current

liabilities totaling $15.7 million. Dividends on the common stock, paid in every year since 1917, are currently at the rate of 35 cents quarterly. At 28, the recent price of the stock, the yield is 5.0%. The 1952-53 price range has been 29⅜-24.

American Chicle Company

Manufacturing such brands of chewing gum as "Adams Chiclets," "Beeman's" pepsin gum, "Dentyne" and others equally as popular among the millions of gum chewers on the North and South American continents, American Chicle Co., since its formation 54 years ago, has become firmly entrenched in the chewing gum field. It has a record of consistent growth and has paid dividends, with the exception of two periods, from the year of its inception, with continuity of payments unbroken ever since 1926. Sales in 1952, excluding subsidiaries in foreign countries with severe exchange restrictions, reached a new high level at $47.8 million, $9.5 million greater than in 1951, and $12.7 million in excess of those reported for 1950, the figures for these two former years including all subsidiaries.

Aiding the 1952 showing were the results attained by the company in taking advantage of the developments in chlorophyll and the resulting publicity by introducing 'Clorets" in the form of a chlorophyll gum and "Clorets" mints. Net income for 1952, in spite of the higher rate of income tax and the excess profits tax, and greatly increased advertising and promotion expenses, amounted to slightly more than $4 million, or $3.16 a share on the capital stock, as compared with $2.89 in 1951 and $3.41 in 1950. The current $2.50 annual dividend rate has been maintained since the 3-for-1 stock split in 1947, and returns a yield of 5.2% on recent price of 47½%, which compares with a 1952-53 price range of 50⅞ high and 42¾ low.

The Best Foods, Inc.

A combination of favorable factors point to higher net for The Best Foods in the current fiscal year ending June 30 next. These include a continuance of high consumer income, an expanding population and the rapidly increasing use of yellow margarine which now can be sold in a total of 45 states, or four more than had legalized sale of this product at the close of the company's preceding fiscal year. Signs of the earnings uptrend in the current period are seen in operating results for the first six months to December 31, last, producing net income of $1.38 a share on the capital or common stock, as compared with $1.26 a share in the like period of 1951-52 year in which, for the full 12 months, net was equal to $3.23 a share as against $3.20 in the year before.

The company is strongly situated in each of the three fields in which it operates. Some of its popular products in the food field are H-O oat meal, Presto cake flour, Nucoa margarine and Hellmann's and Best Foods mayonnaise. Other products are Shinola shoe polishes, Rit household fabric dyes, as well as a line of pickles, relishes and salad dressings. The company has a dividend record, going back without a break to 1929, with the current rate set at 50 cents a share quarterly, plus a yearly extra of the same amount. The 1952-53 range of the stock has been between a high of 37½ and a low of 29⅝. Recent price of the issue has been around 35, at which level it returns a current yield of 7.1%.

Crane Company

This company has long been the leading U. S. manufacturer of plumbing supplies and accessories for residential and industrial uses. Benefitting from postwar expansion, Crane, since 1946 has recorded a growth in net sales from $142.4 million in that year to $322.9 million in 1951, and $319.2 million in the year to Dec. 31, 1952. Although last year's volume represented a decline of but 1.1%, net earnings, in comparison to the previous year, fell 39.1%, due in large part to price controls constricting profits in the face of higher costs and price cutting by competitors. Consequently, per share earnings from domestic operations last year were cut to $3.96 as compared with $6.64 in 1951, and $6.89 in 1950.

While it appears reasonable to expect the competitive situation will become stabilized the company is strengthening its position by a continuous program of increasing operating efficiency aiming to reduce manufacturing costs of its basic business of valves, fittings, plumbing and heating materials. It is also bolstering its operations by a program of diversification and by intensifying research activities in its laboratories to improve present products and create new ones. The company's subsidiary, Hydro-Aire, Inc., acquired late in 1951, which produces components for the aircraft industry has expanded its potentials by developing a number of new items in its field, and in addition is understood to be well along with the engineering and development of air and gas turbine units for aircraft as well as on the development of transistors with commercial production of one type expected to be in production by early May of this year.

Further diversification of Crane's operations is under way in the titanium metal field. Present plans call for the construction of a $26 million plant near Nashville, Tenn., of 6,000 tons annual capacity. The company has already spent $1 million experimenting with titanium and is confident it can produce the metal at a comparatively low cost. Negotiations are in process with the U. S. Government for financing construction of the (*Please turn to page* 118)

Essential Data on 12 Special Stocks

	Earnings Per Share 1951	Earnings Per Share 1952	Price Range 1952-53	Recent Price	Indicated Dividend	Div. Yield
Air Reduction Co.	$2.69	$2.25	29⅜-24	28	$1.40	5.0%
American Chicle Co.	2.89	3.16	50⅞-42¾	47½	2.50	5.2
Best Foods	3.20[1]	3.23[1]	37½-29⅝	35	2.50	7.1
Crane Co.	6.64	3.96	38¼-28⅝	32½	2.60	8.0
Glidden Co.	3.65[2]	3.04[2]	42⅝-32⅞	36½	2.25	6.1
Joy Mfg. Co.	5.68[3]	5.19[3]	39¾-31½	37	3.12	8.4
Link-Belt Co.	4.93	4.83	48¾-43	45½	3.00	6.5
National Lead Co.	2.05	2.06	33⅝-25¾	32½	1.45	4.4
Nopco Chemical Co.	2.25	1.67	26¾-18⅛	19¼	1.20	6.2
Penick & Ford, Inc.	2.83	2.89	37⅝-31½	36¼	2.00	5.5
Scott Paper Co.	3.50	3.44	59 -49⅝	57	2.40	4.2
Unietd Biscuit Co.	4.35	4.19	37⅝-30½	36	2.00	5.5

1—Fiscal years ended June 30th.
2—Fiscal years ended Oct. 31st.
3—Fiscal years ended Sept. 30th.

The Oil Industry
—In A Changing Economy

By GEORGE L. MERTON

The plight of Ulysses in striving to avoid the twin dangers of Scylla and Charybdis is readily appreciated by executives of the petroleum industry, who have repeatedly faced threats first of shortages and later of overproduction. For more than a decade now the industry has exerted its every ingenuity to provide adequate supplies for the military forces—as well as civilian requirements—without endangering its own existence through creating excessive inventories.

In a world of political unrest, such as we have experienced for almost a decade and a half—and especially in the last six or seven years—the need for ample petroleum supplies for the armed services has been uppermost in the calculations of industry officials. Gasoline, jet fuel of all types and other refined products have become vitally essential in national defense. Accordingly, the petroleum industry has been compelled to expand its producing and refining facilities to an unprecedented extent to assure ample supplies in the event of an emergency. Such a program has presented recurrent threats of over-production so far as normal civilian needs are concerned.

The Industry in an Abnormal Period

Political disturbances have presented other major problems tending to complicate the outlook—such as the prolonged dispute over nationalization of the British oil interests in Iran. The two-year suspension of production in this important source of petroleum products has necessitated enlargement of supplies in other areas which may not be needed if the Iranian facilities are restored to operation. Dislocation of normal distribution channels poses a continuing problem for the industry to face as a consequence of a solution of the dispute. Expansion of output in the Near East and a consequent rise in imports of oil from abroad promise to give rise to internal controversies long after the Iranian dispute has been settled.

In a discussion of prospects for the petroleum industry, it is apparent, therefore, that allowances must be made for numerous major uncertainties in the field of international affairs. Production trends at home and abroad will be discussed together with consumption factors as they are currently envisioned. Significant growth influences stemming from petrochemicals and expanding markets for natural gas will be mentioned as reasons for anticipating continued gains for the industry in spite of temporary disturbances caused by imbalances in the demand-supply situation. In addition, brief observations will be presented on several individual companies in which investors are interested. In evaluating prospects for major representatives of the industry reference may be made to the comprehensive tabulation of relevant statistics for principal companies.

Important Trends

Notwithstanding statistical data suggesting abundant supplies on hand, the industry was producing crude oil and refined products at a rate exceeding current demand last month. In fact, for several months output has run ahead of consumption. This unfavorable trend may be attributed to an exceptionally warm winter and a consequent abnormally small demand for heating oils in North Atlantic States, where a large population usually accounts for a high rate of use. Because gasoline requirements have been maintained at a satisfactory level and it is customary to build up inventories of motor fuel at this season, industry officials have shown no special anxiety over excessive production. Steps are

being taken however to guard against continuation of this trend.

Crude oil production was running at an average of almost 6.5 million barrels daily a month ago, while average daily refinery runs slightly exceeded 7 million barrels. Gasoline stocks had risen to 163 million barrels from 158.4 million at mid-March last year. Inasmuch as consumption has risen more than 5 per cent in the year, the gain of a little more than 3 per cent in inventories is modest—especially since a further increase in the number of automobiles on the road is projected for the summer season.

Pro-ration in Texas

Temporary surpluses of petroleum products have proved less disturbing in recent years since state regulation of output has enabled producers to adjust supply to demand without serious repercussions. As mentioned, previously steps have been taken to cut back domestic output to a rate more nearly in line with demand. Texas authorities recently ordered production in that state reduced by more than 119,000 barrels daily this month and shut down output altogether in the Spraberry Trend area April 1 until facilities could be installed for conserving gas produced in conjunction with crude oil. Closing of the 2,000 or more wells in this field would mean removal of an additional 82,000 barrels of daily production within the state. As a result of the order, production in Texas is expected to average slightly more than 2.8 million barrels daily. Other states may be expected to move to curtail supplies if the surplus continues to grow.

Domestic producers have complained that enlarged imports go far toward explaining excessive output in this country. Crude oil from overseas increased last year to more than 950,000 barrels daily and industry observers estimated receipts would be running in excess of more than a million barrels a day by summer. Refinery runs in excess of 7 million barrels a day are well above production from wells in this country. Agitation for restrictions on imports has become vocal recently and may be expected to grow stronger if there should be any real prospect of a settlement of the Iranian trouble.

The prospect of moderately reduced output of crude oil in coming months foreshadows a smaller volume of sales and earnings for representative companies. The drop will be minimized to some extent, however, by the normal expansion in consumption as well as by progress in developing business in more profitable petrochemicals. Although the rate of growth in consumption has slackened considerably in recent years from levels prevailing immediately after the war, the uptrend still is significant. Demand for oil products gained about 3.2 per cent last year over 1951, whereas the improvement in 1951 over 1950 approximated 8.3 per cent. Industry experts foresee a slight improvement in the rate of progress for 1953 at perhaps 5 per cent. Demand for gasoline is expected to gain more than 5 per cent, while consumption of distillates is expected to increase 7.5 per cent—unless weather conditions next autumn again are unusually mild.

Consumption Potentials for Individual Products

Consumption is expected to be spurred by a high rate of industrial activities as well as by enlargement of national defense requirements. Military requirements in the fiscal year beginning July 1 are expected to rise 20 per cent, according to a recent estimate of the Petroleum Administration for De-

Comparative Earnings and Dividend Records of Leading Oil Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1952	1951	1950	1952	1951	1950	Price	Yield†	1952-53
Amerada Petroleum	$5.04[2]	$ 5.17	$ 4.88	$ 3.00	$ 3.00	$ 3.00	180	1.6%	235 -141½
Atlantic Refining	4.37	4.88	4.36	1.90	1.60[1]	1.10	30	6.3	36¼- 29⅝
Cities Service	12.67	14.71	14.58	5.00	5.00	5.00[1]	89	5.6	114 - 87
Continental Oil	3.91	4.25	4.37	2.50	2.50	2.50	56	4.4	75 - 56
Creole Petroleum	8.54	7.82	6.45	7.00	5.75	3.40	73	9.5	81⅝- 69¼
Gulf Oil	6.01	6.17	4.90	2.00[1]	2.00[1]	2.00	48	4.1	58⅝- 46⅜
Houston Oil	4.81	5.35	4.63	2.25[1]	2.50	2.50	64	3.5	85 - 58½
Humble Oil	4.35[2]	4.72	3.60	2.28	2.25	2.00	66	3.4	86½- 63½
Imperial Oil, Ltd.	1.40[2]	1.20	1.12	.75	.65	.55	33	2.3	41⅝- 31⅝
Lion Oil	3.30	4.37	5.97	2.00	2.00	1.87½	35	5.7	46¼- 33½
Mid-Continent Petroleum	8.39	9.18	8.43	4.00	3.75	3.25	60	6.6	81¾- 58½
Ohio Oil	6.00	6.35	5.69	3.00	3.00	2.70	53	5.6	60⅞- 50⅛
Phillips Petroleum	5.17	5.11	4.24	2.40	2.30	1.75	65	3.6	69½- 48½
Plymouth Oil	3.97	4.24	3.50	1.60	1.30	1.00	31	5.1	37⅛- 28½
Pure Oil	6.17	7.88	7.06	2.50	2.50	2.00	56	4.4	69¼- 56
Richfield Oil	6.41	7.05	5.76	3.50	3.50	3.00	59	5.9	74⅝- 53⅜
Seaboard Oil	5.34	5.26	4.99	2.00	2.75	2.60	80	2.5	117¾- 67½
Shell Oil	6.74	7.20	6.99	3.00	3.00	3.00	68	4.4	87 - 65½
Sinclair Oil	7.08	6.78	5.81	2.60	2.50	2.50	40	6.5	48 - 38¾
Skelly Oil	9.76	10.82	9.92	3.25[1]	3.25	2.75	80	4.0	102¼- 77
Socony-Vacuum Oil	4.89	5.08	4.03	2.00	1.80	1.35	35	5.7	40⅝- 32¼
Standard Oil of California	6.07	6.05	5.26	3.00	2.60	2.50[1]	55	5.4	64¼- 50⅛
Standard Oil of Indiana	7.81	9.71	8.09	2.50[1]	2.25[1]	2.00[1]	73	3.4	92 - 70¾
Standard Oil of N. J.	8.55	8.72	6.74	4.25	4.12	2.50	73	5.8	85 - 72
Standard Oil of Ohio	4.20	5.56	5.30	2.40	2.20	2.00	36	6.6	47⅞- 35⅝
Sun Oil	6.01	6.85	5.47	1.00[1]	1.00[1]	1.00[1]	78	1.2	94¾- 78
Sunray Oil	2.30	2.23	2.13	1.50	1.15	1.00	20	7.5	24¼- 18½
Texas Company	6.59	6.50	5.41	3.00	3.05	3.25	55	5.4	60⅜- 50⅝
Texas Pacific Coal & Oil	3.86	3.85	3.38	1.65	1.65	1.50	39	4.2	46¾- 32½
Tide Water Associated Oil	2.75[2]	2.90	2.59	1.15	1.07	.95	24	4.7	27¼- 18
Union Oil	5.07	5.01	3.09	2.00	2.00	2.00	39	5.1	45⅝- 35⅝

†—Based on 1952 dividend. [1]—Plus stock. [2]—Estimated.

Comprehensive Statistics Comparing

Figures are in millions, except where otherwise stated.	Atlantic Refining	Cities Service	Continental Oil	Gulf Oil	Mid-Continent Petrolem	Ohio Oil
CAPITALIZATION						
Long Term Debt (Stated Value)	$31.3	$419.2	$32.1	$181.7	....	....
Preferred Stock (Stated Value)	$35.2	$13.1 [1]	....	....	....	....
Number of Common Shares Outstanding (000)	8,961	3,887	9,737	23,598	1,857	6,563
TOTAL CAPITALIZATION	$156.1	$471.3	$80.7	$771.6	$18.5	$98.7
INCOME ACCOUNT: For Fiscal Year Ended	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52
Net Sales on Gross Operating Income	$602.8	$900.9	$397.1	$1,528.8	$165.7	$223.2
Depletion, Amortization, etc.	....	....	$1.6	....	....	....
Depreciation, Retirements, etc.	$35.9	$56.8	$14.4	$128.9	$9.4	$16.1
Intangible Developments Costs, etc.	....	....	$32.2	....	$4.2	....
Income Taxes	$16.4	$39.9	$14.4	$105.9	$9.5	$14.9
Interest Charges	$1.3	$11.7	$.7	$5.0	....	....
Balance for Common	$39.1	$49.2	$38.0	$141.8	$15.5	$39.3
Operating Margin	9.1%	11.4%	12.8%	15.8%	14.9%	25.9%
Net Profit Margin	6.7%	5.4%	9.6%	9.2%	9.4%	17.6%
Percent Earned on Invested Capital	10.6%	10.8%	13.7%	13.0%	10.7%	15.5%
Earned Per Common Share*	$4.37	$12.67	$3.91	$6.01	$8.39	$6.00
BALANCE SHEET: Fiscal Year Ended	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52
Cash and Marketable Securities	$30.5	$157.6	$26.1	$329.9	$42.5	$44.1
Inventories, Net	$74.2	$114.3	$49.3	$170.0	$29.9	$27.0
Receivables, Net	$46.9	$63.6	$36.1	$164.3	$12.3	$22.0
Current Assets	$151.9	$335.5	$111.6	$664.3	$84.8	$93.3
Current Liabilities	$99.2	$105.5	$50.4	$297.5	$24.3	$30.3
Net Current Assets	$52.7	$230.0	$61.2	$366.8	$60.5	$63.0
Fixed Assets, Net	$349.4	$642.1	$218.3	$823.0	$87.7	$169.1
Total Assets	$525.7	$1,047.0	$360.9	$1,627.2	$174.6	$284.1
Cash Assets Per Share	$3.41	$40.54	$2.68	$14.04	$22.88	$6.72
Current Ratio	1.5	3.2	2.2	2.2	3.4	3.0
Inventories as Percent of Sales	12.3%	12.6%	12.4%	11.1%	18.0%	12.9%
Inventories as Percent of Current Assets	48.9%	34.4%	31.4%	25.6%	35.2%	28.9%
Total Surplus	$254.1	$404.4	$229.2	$498.5	$127.0	$154.9

*—Data on dividend, current price of stock and yields on supplementary table on preceding page.

1—Subsidiary obligations.

fense. Use of jet fuel is expected to jump 100 per cent. Consumption of diesel oil is expected to continue its strong uptrend with the enlargement of railroad diesel locomotive fleets and with an increase in demand for truck operations. Despite competition from natural gas, consumption of distillate fuels seems destined to gain ground. Residential construction is continuing at an unusually high rate, and most new houses in northern areas are outfitted with oil furnances.

Narrower Refinery Margins

Restoration of normal supply-demand ratios has resulted in a narrowing of the spread between crude oil costs and market prices of refined products—in other words, refinery margins. Whereas a couple of years ago, before price controls were imposed, refiners were able to obtain a spread of as high as $1.13 a barrel, now the margin has declined to slightly less than $1 in some areas. Attempts to improve the difference in quotations after price controls ended were not altogether successful; competition has been too keen in North Atlantic states and in many other sections. Moreover, gasoline has been in abundant supply. Some marketers, therefore, refused to follow the lead of major refiners in boosting prices.

With costs tending to rise gradually and with supplies still abundant, the refinery spread may become somewhat smaller before demand and supply come into balance. This situation threatens to trim profit margins for refiners, especially those smaller units that have little or no production.

Unless crude output should get out of hand temporarily and force price-cutting, the major producers can be expected to fare well. Those which have been fortunate in bringing in new production may be expected to experience more satisfactory results this year.

Any appraisal of the petroleum industry must take into account the rapidly expanding production of synthetic products based on oil or natural gas. Growth in demand for synthetic rubber, detergents, plastics and numerous synthetic fibres has been so vigorous that the sales of petrochemicals have climbed well above $15 billion annually, it is estimated. Output has soared to more than 15 billion pounds and production facilities still are being expanded. Physical production has been expanding at a rate more rapid than that of the chemical industry.

The attractive qualities of new synthetic fibres—such as orlon, dynel, acrilan and dacron—assure continuation of the impressive growth already recorded. The need for greater reliance on fertilizer in agricultural areas also is apparent, and produc-

the Position of Leading Oil Companies

Phillips Petroleum	Pure Oil	Richfield Oil	Shell Oil	Sunray Oil	Skelly Oil	Socony-Vacuum Oil	Standard Oil of Indiana	Sun Oil	Texas Company	Union Oil
$177.3	$28.3	$50.0	$149.3	$78.0	$11.8	$196.9	$355.2	$10.3	$226.2	$118.2
....	$44.2	....	....	$36.0	....	....	....	$9.3	....	$23.7
14,563	4,067	4,000	13,470	9,990	2,873	35,512	15,361	7,161	27,485	5,266
$470.7	$111.2	$124.4	$351.3	$123.9	$83.6	$729.5	$739.2	$305.0	$916.1	$273.6
12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52
$720.5	$340.1	$177.6	$1,142.6	$127.7	$206.4	$1,560.5	$1,592.1	$617.3	$1,510.0	$269.8
$7.8	....	....	$10.6	....	....	$63.4	$37.7	....	$19.3	....
$48.7	$21.4	$12.7	$56.3	$20.8	$22.4	$56.0	$58.0	$28.1	$67.7	$27.7
$17.0	....	$5.6	$71.4	$6.4	....	....	....	$36.9	$81.9	$14.0
$16.5	$11.0	$19.1	$53.0	$8.5	$10.2	$51.0	$52.5	$13.7	$47.2	$4.8
$4.9	$1.0	$1.1	$3.2	$2.2	0.3	$5.3	$8.6	$.6	$6.5	$2.8
$75.2	$25.1	$25.6	$90.8	$22.9	$28.0	$171.0	$119.9	$42.7	$181.2	$26.6
13.0%	11.4%	25.3%	11.7%	27.4%	18.5%	10.6%	10.1%	8.9%	10.5%	12.1%
10.4%	8.0%	14.4%	7.9%	19.3%	13.6%	10.9%	7.5%	6.9%	12.0%	10.2%
12.2%	9.2%	17.2%	15.2%	13.0%	13.2%	11.3%	8.8%	12.2%	13.9%	10.0%
$5.17	$6.17	$6.41	$6.75	$2.30	$9.76	$4.89	$7.81	$6.01	$6.59	$5.07
12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52	12/31/52
$130.5	$37.5	$32.8	$88.6	$27.4	$19.9	$288.8	$253.8	$32.6	$205.7	$39.6
$92.2	$53.8	$28.1	$149.2	$12.7	$25.8	$260.0	$223.8	$77.1	$270.9	$29.1
$61.1	$27.0	$20.2	$99.8	$11.7	$17.1	$161.8	$133.4	$38.5	$134.7	$40.8
$222.7	$118.3	$81.2	$348.8	$52.1	$63.2	$710.8	$611.1	$148.3	$611.5	$109.5
$117.5	$33.6	$16.1	$142.9	$15.8	$27.7	$247.7	$205.2	$60.1	$147.4	$36.4
$105.2	$84.7	$65.1	$205.9	$36.3	$35.5	$463.1	$405.9	$88.2	$464.1	$73.1
$675.9	$238.5	$127.3	$491.7	$226.6	$187.7	$980.5	$1,239.6	$264.6	$957.0	$305.4
$922.9	$366.7	$215.4	$888.7	$285.2	$252.4	$2,011.3	$1,963.8	$420.1	$1,736.0	$435.0
$9.00	$9.23	$8.20	$6.61	$2.74	$6.92	$8.13	$16.60	$4.55	$7.50	$7.52
1.8	3.5	5.0	2.4	3.3	2.2	2.8	2.9	2.4	4.1	3.0
12.8%	15.8%	15.8%	13.0%	9.9%	12.5%	16.6%	14.0%	12.5%	17.9%	10.7%
41.4%	45.4%	34.6%	42.8%	24.3%	40.8%	36.6%	36.6%	52.0%	44.3%	26.5%
$320.1	$212.2	$74.6	$394.3	$143.5	$139.5	$978.8	$972.8	$57.8	$614.5	$119.5

[2]—Includes special credit of $9.6 million.

tion of ammonia from petroleum sources shows all indications of expanding tremendously. Government agencies foresee a production of ammonia next year and in 1955 more than double the output of last year. In addition to products already being marketed, there are thousands of chemicals amenable to synthesis for which demand in sizeable quantities may develop.

Natural Gas Outlook

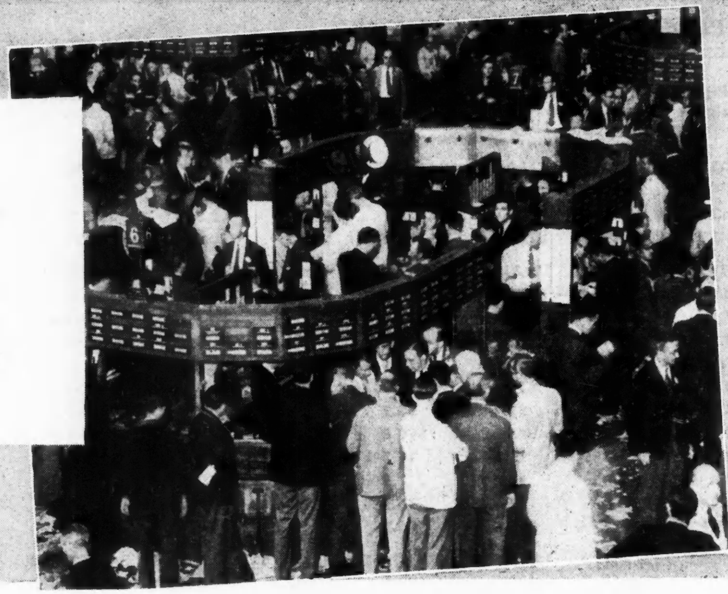
Steady gains in the consumption of natural gas must be taken into account in viewing the petroleum industry's prospects. Demand for this ideal fuel far exceeds the supply in areas of the largest potential markets even though production could be increased substantially. Distribution facilities still are not adequate to meet all requirements even with the construction of numerous pipelines in recent years. Growth has been hampered to some extent by strict regulation on the part of the Federal Power Commission as well as by shortages of materials and by high construction costs. Vast markets remain to be developed.

More sympathetic regulation by Washington authorities under the present Administration would hold promise of still greater consumption of natural gas in coming years. Demand for residential heating may be at the expense of oil in many areas, but natural gas would replace coal to a considerable extent in large industrial markets.

Search for new sources of petroleum continues apace. The most impressive progress has been achieved in Canada, where some 3,000 wells have been drilled in the last two years. Extensive reserves of oil and natural gas have been developed and pipelines have been constructed for transportation of petroleum products from Alberta, the most productive Province, to markets in eastern Canada and in the United States. Only the surface has been scratched in the Dominion, in the opinion of industry authorities. To permit of steady growth, however, new markets must be found, for Canada's potential consumption is too limited to permit continuation of development at the rate recently experienced.

Domestic reserves were enlarged again last year as some 45,000 wells were completed, compared with about 44,300 the previous year. Government authorities have proposed that at least 50,000 new wells be drilled in 1953, but exploratory operations are unlikely to be accelerated by the prospect of overproduction. The threat of narrower profit margins tends to discourage development of additional sources of supply, although in the normal course of events additional wells would be drilled at a rate comparing favorably (*Please turn to page* 124)

FOR PROFIT AND INCOME



"Penetration"

Up to this writing the market sell-off generated by the Communist peace offensive has taken the Dow industrial average a little over a point under its February 18 reaction low, the rail average a fraction under its February 10 low. This follows a failure of both averages to better their prior bull-market highs, of last January and December, respectively, on about a four-week rally for industrials, about a five-week rally for rails, to the March highs. The trend implications—while tenatively adverse under "Dow-Theory" interpretations—are questionable. In the first place, rail action around the February low is borderline at this writing, rather than decisive. In the second place, the pressure represented initial emotional reaction to news; and that kind of response often proves unreliable. In the third place, the January-March trading range, now penetrated downside by the industrial average, was a quite restricted one. In the fourth place, even clear-cut "Dow-Theory signals" by both the industrial and rail averages have proved misleading in enough instances, especially in the modern postwar market, to be suspect. For instance, they gave a bull signal very near the top of the limited 1948 rise; a bear signal very close to the bottom of the 1948-1949 minor bear market, shortly before the start of a major and protracted bull market. Only time will tell whether a significant downtrend started from the December-January highs in the averages, which were bettered in March by our much broader weekly indexes. Meanwhile, the burden of proof remains on the bears.

Comparison

The start of the Korean war knocked the Dow industrial average off 10.34 points on the first subsequent trading day; and nearly 27 points, or about 12%, in three weeks. But after another nine weeks or so both averages were up to new bull-market highs. Hence, the emotional initial selling on the news was badly wrong. Whether the similar response to Red peace talk—and their maneuvers for a Korean truce on terms not specific as this is written—will prove equally wrong remains to be seen. For comparison, the industrial average fell only 4.26 points on the first day of this sell-off, only 7.46 points, or 2.6%, in the first two days, with pressure then relaxing. Possibility of some further downside test over the near term must necessarily be allowed for. It will take time to establish an adequate technical base for more than minor rallies. The next substantial upswing, whether more than an intermediate recovery or not, might conceivably be deferred to the normal seasonal summer rise. It was a probability, as noted here even before the "peace-scare" sell-off, that a summer move would start from a reaction level, somewhere in the April-June period, materially under the March highs.

Stocks

Concentrated declines are never as general as they would seem from a glance at the behavior of the averages. It is less surprising

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Lockheed Aircraft Corp.	Year Dec. 31	$3.61	$2.55
Republic Aviaion Corp.	Year Dec. 31	7.32	2.92
Weston Electrical Instrument	Year Dec. 31	5.79	4.69
Boeing Airplane Co.	Year Dec. 31	8.67	4.40
Colgate-Palmolive-Peet Co.	Year Dec. 31	4.38	2.79
Fairchild Camera & Instrument	Year Dec. 31	1.82	.76
Monarch Machine Tool Co.	Year Dec. 31	3.53	1.77
United Aircraft Corp.	Year Dec. 31	5.18	4.06
Transamerica Corp.	Year Dec. 31	4.46	2.30
Pennsylvania Coal & Coke	Year Dec. 31	2.00	.03

that 963 issues sagged on the first day of this downswing than that 100 issues advanced; less surprising that 875 issues fell on the second day than that 152 issues advanced. Selectivity has not vanished. The largest declines have been mostly in stocks in which exceptionally large profits were available for nervous holders to take or in stocks with a war-baby flavor, such as aircrafts. Under worst recent market action a few new 1952-1953 highs were recorded. They included American & Foreign Power, General Portland Cement, Norwich Pharmacal, Neisner Bros., Pacific Western Oil, Rexall Drug, Sterchi Bros. Stores, Sunshine Biscuit and Texas Gulf Producing.

Holding

The many issues which have held up relatively well under the test so far include Alpha Portland Cement, American Broadcasting Paramount, American Chicle, American Home Products, Armstrong Cork, Central & South West, Consolidated Natural Gas, Continental Baking, Crane, First National Stores, Firth Carpet, General Baking, General Finance, General Shoe, General Telephone, Helme, Homestake, Houston Lighting & Power, Kresge, Melville Shoe, Middle States Utilities, National Tea, Ohio Edison Pitney-Bowes, Phillips Petroleum, Southern Company and Transamerica. As would be expected, the majority, although by no means all, of these are defensive-type stocks.

Good Values

It pays off to "shop around" for good values in the market, whatever the averages may be doing. In some instances, current marked-down prices add materially to the attraction of selected stocks. One case in point is McGraw-Hill, which has been commented on favorably here before. The stock has reacted from a high of 62 to 54, at this writing. Earnings were $7.40 a share last year, after tax accrual at the 70% ceiling rate. They would have been more than $12 a share without the excess profits tax. Dividends are on a widely covered $3 regular basis. At a minimum, the probable year-end extra should equal last year's 85 cents, bringing 1953 payments to $3.85, against $3.45 in 1952, when the regular rate was $2.60. On this basis the current yield exceeds 7%. Finances are strong. The business is publication of numerous trade journals, technical books and manuals, catalog and trade services, etc. It has had impressive growth. Revenue is subject to moderate shrinkage under adverse general-business conditions, but EPT will have ended by or before those conditions develop. In profits, the company has more to gain from that than it is likely to lose from cyclical shrinkage of revenue.

Another

Marked down from 1953 high of 47 to 43½ currently, Reynolds Tobacco is another good investment value. Earnings were $2.92 a share last year. Applying the recent boost in cigarette prices to operations for three quarters of this year, and assuming June 30 expiration of EPT, 1953 net should approach $5.50 a share. Without EPT relief, it should be around $5 a share. Sales are largey immune to cyclical declines in general business activity. On presently indicated conditions, lower average leaf tobacco costs will be mildly helpful this year, and materially more so in 1954. Any probable change in this prospect, via a deflationary period, would further lower tobacco costs and widen margins. So the prospect for 1954 is this: Well-maintained, if not higher, sales; EPT relief for the full year against six months at most this year; present selling prices for the full year, against nine months this year; and considerably more benefit from lower tobacco costs, which are averaged for two years in inventory, than will be had this year. Barring unlikely global war and a new inflationary whirl, no contingency seems capable of importantly altering this general outlook. There is more brand competition than before, due to introduction of king-size and filter-tip cigarettes, but it is among the same five major companies which have long dominated the market. Even allowing for higher promotional costs, it is reasonably probable that Reynolds will earn between $6 and $7 a share in 1954. Finances are sound, and relatively less long-term debt has been incurred since prewar than in the case of other major cigarette makers. The dividend is now on a $2 basis, yielding only about 4.6%, but $3 is not an unreasonable expectation for 1954 on the profit potential cited, or a yield basis of nearly 6.9%. Considering its investment grade, the stock could in time sell 20% to 30% higher.

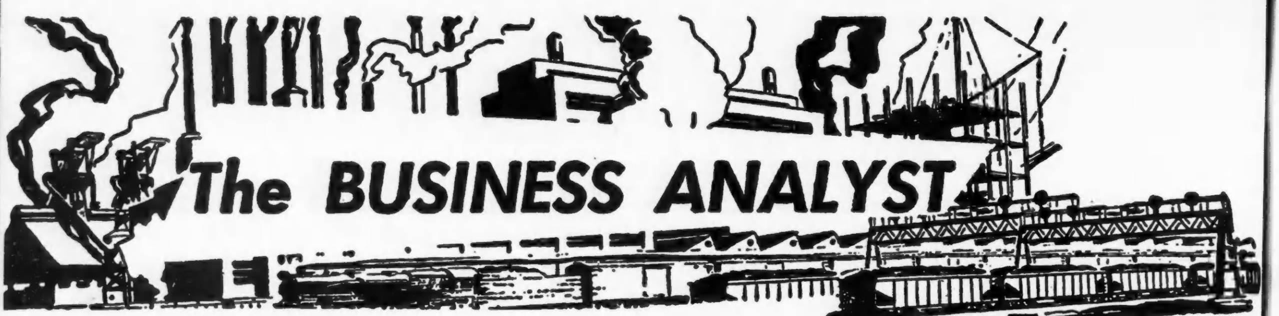
Another

The Halliburton Oil Well Cementing Company supplies services and some materials used in the drilling and maintenance of oil and gas wells. Gross revenue topped $100 million last year for the first time, has risen in each of the last ten years, and has grown over 12-fold since the prewar year 1939. The company has shown a profit in every year since it was incorporated in 1924. Its fortunes are tied to the total number of oil and gas well drilled and under maintenance, rather than directly to the sales volume or profits of its customers. That total is a rising one. Hence, Halliburton is likely to do more business this year than last, more next year than this, and still more over the longer term. Earnings were $5.61 a share last year, and would have been $7.26 without EPT of $1.65 a share. The potential for this year, given June 30 EPT relief, may be around $6.50. That for 1954, on normal growth of volume and without EPT, should be appreciably higher. The stock is down from bull-market high of 56½ to a current 51⅜. It is on a regular $3 annual dividend basis,

(Please turn to page 114)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

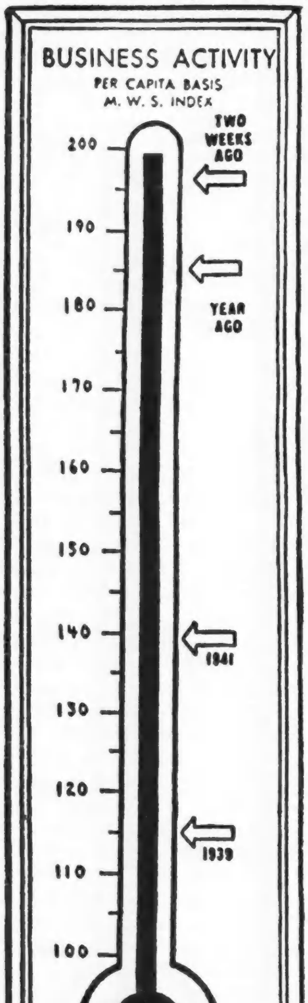
		1952	1951
Felt & Tarrant Mfg. Co.	Year Dec. 31	$ .76	$2.63
Consol. Min. & Smelt. of Can. Ltd.	Year Dec. 31	2.00	3.10
Crown Cork & Seal	Year Dec. 31	.26	2.54
Georgia-Pacific Plywood Co.	Year Dec. 31	1.64	3.53
Cannon Mills Co.	Year Dec. 31	3.70	6.31
Island Creek Coal	Year Dec. 31	2.39	4.67
National Container	Year Dec. 31	1.17	3.09
Howe Sound Co.	Year Dec. 31	1.69	2.81
American Viscose Corp.	Year Dec. 31	4.88	5.37
Warren Foundry & Pipe	Year Dec. 31	1.63	4.39



What's Ahead for Business?

By E. K. A.

Retail apparel business, usually quick to reflect the public pulse, recentlly lhals lfaltered a little and retailers are beginning to wonder whether, perhaps, they may not have become over-optimistic on the outlook for business this Spring. Since the status of retail trade during the spring months will determine to a considerable extent the volume of business placed by retailers for fall and winter apparel, developments during the coming weeks merit special consideration from the standpoint of their influence on the general business outlook.



Pre-Easter apparel business was good, with dollar volume running 10 percent or more above last year's figures. All too frequently in the past, the unwillingness of Winter to give way to Spring has foiled retailers' hopes of active pre-Easter sales; particularly when the date of the religious observance has been early. This year, however, Nature smiled and mild weather came early to gladden both the hearts of apparel retailers and those of the Easter parades.

Consumer resisatnce, of which there has been much talk in recent months, did not appear to be a factor of major importance in pre-Easter business. Higher prices for both clothing and footwear did not deter consumers to any noticeable extent. The emphasis, according to many retailers, appeared to be on quality rather than on price. To a considerable extent, this tended to confirm what leaders in the industry had been stressing for many months, i.e., that the general public, with the highest level of income in history, is more quality conscious than price conscious.

However, before the pre-Easter shopping period was concluded, a sour note was injected in the picture. "Last minute" buying, which customarily pushes up the volume in the last ten days of the pre-Easter shopping season, failed to develop to the extent anticipated. Retailers, prone to attribute the failure of business to develop in line with expectations to the weather, hastened to blame the late slump in buying on rainy weather. This explanation appears to have been somewhat superficial since apparel sales volume faltered even in those parts of the country where weather conditions were close to ideal for shopping.

Probably, the Communist "peace offensive" and its attendant repercussions upon the value of securities and commodities was an important factor in the late letdown in pre-Easter apparel business, since other lines of retail endeavor also were similarly influenced. The possibility that peace in Korea might result in smaller pay checks and less employment appears to have injected a considerable degree of caution in a buying public that heretofore appeared to have thrown caution to the winds.

Retail apparel business, unlike most other lines of retail business, has benefitted only to a minor extent during the past two years or so from high level consumer income. In the buying waves following the outbreak of war in Korea, consumers bought heavily in anticipation of shortages that never developed, and many of them have been all but out of the market ever since. This has been particularly true of men's wear. Women's and children's lines have fared better, but still have left much to be desired.

The "informal" or "casual" trend has cut deeply into the demand for men's wear and to a lesser, but nevertheless substantial, amount into the demand for women's wear. There are many men, it is said, who no longer own a suit of clothing and who wear sports jackets and slacks for even semi-formal occasions, including church-going. The slump in demand for women's wear has been due, according to some observers, to early marriages and the tendency for many women to dress informally when shopping or visiting.

Recent months have witnessed a considerable revival of interest in clothing and footwear on the part of the public, culminating, so far as the present evidence is concerned, in the brisk pre-Easter buying move. The wide publicity given to the newer man-made fibers undoubtedly has been a factor in the revival of consumer interest in clothing, although the older natural fibers have not been neglected.

Despite the improvement in recent months, the volume of retail apparel business had not been altogether satisfactory until March. If the recent upturn proves to have been a flash in the pan, production schedules may have to be cut.

The Business Analyst

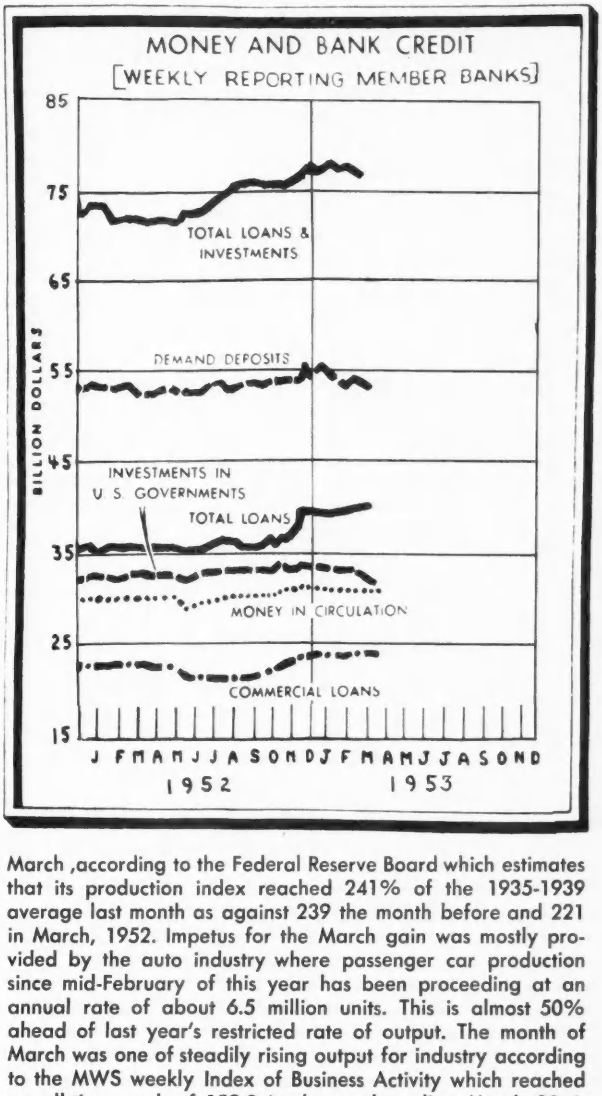
HIGHLIGHTS

MONEY & CREDIT—Recent rumors that the Treasury was contemplating the issuance of a really long-term obligation proved to be well founded when the Treasury announced on April 8 that $1 billion of thirty-year bonds yielding 3¼% would be offered for subscription. The new issue plus increased weekly bill offerings is expected to meet the estimated $2 billion that the Treasury will need till June 30. The new bonds, to be dated May 1, 1953 and callable on or after June 15, 1978, will be fully marketable. An additional amount of similar bonds will also be made available on an exchange basis for series F and G savings bonds, of which some $1.1 billion will mature from May to December of this year. The sharp drop in long-term Treasuries late in March went a long way towards discounting the step-up in interest rates that the new offering entails and no further long-term issue is to be floated during the remainder of this fiscal year. However, the Administration's desire to whittle down the short-term debt means that over a period of time the supply of long-term obligations is going to be substantially increased.

Corporate obligations have been holding well thus far in April. The $200 million Allied Chemical debenture offering—a record for size—was sold on April 1 at 99 to yield a tempting 3.56% to maturity. Demand was large and by April 6 the bonds had rallied to 100½. On the other hand, an offering of 'A' rated California Electric Power 30-year mortgage bonds is being sold to yield 3.8%, a new high yield for an issue of this grade.

Municipal bonds reflected hopes of a Korean truce by firming up somewhat in the week ending April 3. The month of March witnessed heavy financing by state and local governments with offerings amounting to $405 million, bringing the aggregate volume of municipal bond financing in the first quarter of this year to $1.2 billion, the biggest first quarter on record.

Loans to business by weekly reporting member banks, after falling by $600 million from December 24, 1952 to February 25 of this year, started to rise again as businessmen rushed to the banks for wherewithal to pay their tax liabilities. By March 18 loans had risen sharply to $23.4 billion, surpassing the December peak by $100 million. Latest figures—for the week ending March 25—indicate that these loans have resumed their seasonal decline with an $81 million drop, but they are still some $2 billion above the amount outstanding a year earlier.



TRADE—Buoyed up by the early Easter this year, retail sales have chalked up wide-spread gains over a year ago, despite bad weather in the Eastern states. Dun & Bradstreet estimates that for the week ending Wednesday, April 1, retail sales gains ranged up to 7% for the country as a whole, with the Southwest making the best showing. Demand for apparel reached its seasonal peak in the week and scored wide gains over last year's results, even though reduced-price promotions were much less common this year than last. Food stores have also been doing a thriving business. Most household goods were neglected, but still did better than the year before.

INDUSTRY—Industrial output hit a new post-war record in March ,according to the Federal Reserve Board which estimates that its production index reached 241% of the 1935-1939 average last month as against 239 the month before and 221 in March, 1952. Impetus for the March gain was mostly provided by the auto industry where passenger car production since mid-February of this year has been proceeding at an annual rate of about 6.5 million units. This is almost 50% ahead of last year's restricted rate of output. The month of March was one of steadily rising output for industry according to the MWS weekly Index of Business Activity which reached an all-time peak of 199.8 in the week ending March 28. It had started the month at the 197.2 level.

COMMODITIES—Commodity prices were lower in the week ending April 2 as a further drop in the temperature of the "cold war" drove buyers to the sidelines. The MWS Raw Materials Index of spot prices fell 1.7% in the week to close at 157.4, its lowest level since July 1950. Most components of the index were lower including wheat, corn, copper, tin, cotton, silk, wooltops, rubber and hides. Commodities remaining

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Mar.	4.3	38.	3.7	1.55
Cumulative from mid-1940	Mar.	496.1	491.8	445.1	13.8
FEDERAL GROSS DEBT—$b	Mar. 31	264.5	267.6	258.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Mar. 25	53.3	54.5	51.9	26.1
Currency in Circulation	Apr. 1	29.8	29.6	28.4	10.7
BANK CLEARINGS					
New York City—$b	Mar. 28	9.3	10.5	8.7	3.8
111 Other Centers—$b	Mar. 28	9.1	10.4	8.7	4.0
PERSONAL INCOMES—$b (cd2)	Jan.	280.5	280.0	263.4	102
Salaries and Wages	Jan.	187	186	173	66
Proprietors' Incomes	Jan.	55	55	53	23
Interest and Dividends	Jan.	21	21	20	10
Transfer Payments	Jan.	14	13	13	3
(INCOME FROM AGRICULTURE)	Jan.	22	21	22	10
POPULATION—m (e) (cb)	Feb.	158.6	158.4	156.0	133.8
Non-Institutional, Age 14 & Over	Feb,	110.9	110.6	109.3	101.8
Civilian Labor Force	Feb.	62.7	62.4	61.8	55.6
unemployed	Feb.	1.8	1.9	2.1	3.8
Employed	Feb.	60.9	60.5	59.8	51.8
In Agriculture	Feb.	5.4	5.5	6.1	8.0
Non-Farm	Feb.	55.6	55.1	53.7	43.2
At Work	Feb.	58.6	58.2	57.6	43.8
Weekly Hours	Feb.	41.3	41.4	41.9	42.0
Man-Hours Weekly—b	Feb.	2.42	2.41	2.41	1.82
EMPLOYEES, Non-Farm—m (lb)	Feb.	47.2	47.2	45.9	37.5
Government	Feb.	6.6	6.7	6.5	4.8
Factory	Feb.	13.5	13.4	12.8	11.7
Weekly Hours	Feb.	41.0	41.1	40.7	40.4
Hourly Wage (cents)	Feb.	174.2	174.0	164.4	77.3
Weekly Wage ($)	Feb.	71.42	71.51	66.91	21.33
PRICES—Wholesale (lb2)	Mar. 31	109.8	110.0	112.3	66.9
Retail (cd)	Jan.	209.0	209.6	210.9	116.2
COST OF LIVING (lb3)	Feb.	113.4	113.9	112.4	65.9
Food	Feb.	111.5	113.1	112.6	64.9
Clothing	Feb.	104.6	104.6	106.8	59.5
Rent	Feb.	121.5	121.1	114.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Feb.	14.8	14.3	13.4	4.7
Durable Goods	Feb.	5.4	5.0	4.6	1.1
Non-Durable Goods	Feb.	9.4	9.3	8.8	3.6
Dep't Store Sales (mrb)	Feb.	0.85	0.84	0.80	0.34
Retail Sales Credit, End Mo. (rb2)	Feb.	13.5	13.8	11.1	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total **	Feb.	25.0	24.3	23.5	14.6
Durable Goods	Feb.	12.6	12.1	11.4	7.1
Non-Durable Goods	Feb.	12.4	12.2	12.1	7.5
Shipments—$b (cd)—Total**	Feb.	25.3	24.3	23.5	8.3
Durable Goods	Feb.	12.9	12.2	11.4	4.1
Non-Durable Goods	Feb.	12.3	12.1	12.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Jan.	74.7	74.8	74.0	28.6
Manufacturers'	Jan.	43.7	43.8	43.1	16.4
Wholesalers'	Jan.	10.1	10.2	10.2	4.1
Retailers'	Jan.	20.9	20.8	20.7	8.1
Dept. Store Stocks (mrb)	Jan.	2.2	2.3	2.2	1.1
BUSINESS ACTIVITY—1—pc	Mar. 28	199.8	199.3	185.6	141.8
(M. W. S.)—1—np	Mar. 28	241.5	240.9	220.9	146.5

PRESENT POSITION AND OUTLOOK

unchanged were raw sugar, iron, lead, zinc and crude oil.

The all-inclusive index of primary prices compiled by the Bureau of Labor Statistics lost 0.2% in the week ending March 31 with farm products off 1.0% and meats down 2½%. Commodities other than farm products and foods lost only 0.1% during the week.

New orders for **MACHINE TOOLS** jumped sharply in February and the Machine Tool Builders Association's index of shipments rose to 282.3% of the 1945-1947 average from 255.8 the month before. It is still very far below the post-war record for new orders made in February, 1951 when the index reached 615.3. Machine tool **SHIPMENTS** by manufacturers fell slightly during February and the index of shipments stood at 354.1 as against 279.6 a year earlier. With output somewhat higher in the month, it would have taken nine months at current production rates to complete all unfilled orders. This compares with 9.4 months in February, 1952 at the then current rate of output.

* * *

EXPORTS of goods from the United States in January were valued at $1,275 million, down from $1,390 million the month before but somewhat above the $1,254 million worth of exports in January of last year, the Census Bureau has announced. These export figures include shipments of military aid under the Mutual Security Program, amounting to $268 million in January, 1953, $276 million the month before and $65 million a year ago. The over-all decline in exports from December to January reflected mainly decreased shipments of cotton, gasoline, metals, soybeans, and tobacco. **IMPORTS** also were lower in January, amounting to $927 million, as against $1,051 million in December and $922 million in January, 1952. The latest month saw declines in imports of refined copper, lead, coffee, cocoa beans, wood and paper. With exports topping imports in January the **BALANCE OF TRADE** was in our favor to the extent of $348 million. This compares with a favorable balance of $330 million in December, 1952 and one of $332 million in the initial month of 1952.

* * *

Manufacturer's shipments of **PASSENGER TIRE CASINGS** fell by 8.6% in February to 5.952,768 casings from 6,512,423 in January, according to data of the Rub-

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Feb.	239	236	222	174
Mining	Feb.	163	164	167	133
Durable Goods Mfr.	Feb.	322	316	284	220
Non-Durable Goods Mfr.	Feb.	198	195	190	151
CARLOADINGS—t—Total	Mar. 28	715	701	725	833
Misc. Freight	Mar. 28	400	391	381	379
Mdse. L. C. L.	Mar. 28	73	72	77	156
Grain	Mar. 28	43	43	43	43
ELEC. POWER Output (Kw.H.) m	Mar. 28	8,075	8,078	7,263	3,267
SOFT COAL, Prod. (st) m	Mar. 28	8.2	8.1	9.8	10.8
Cumulative from Jan. 1	Mar. 28	106.3	98.1	133.0	44.6
Stocks, End Mo.	Feb.	71.4	73.3	76.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 28	6.5	6.5	6.4	4.1
Gasoline Stocks	Mar. 28	163	163	159	86
Fuel Oil Stocks	Mar. 28	41	42	37	94
Heating Oil Stocks	Mar. 28	60	60	49	55
LUMBER, Prod.—(bd. ft.) m	Mar. 28	260	264	226	632
Stocks, End Mo. (bd. ft.) b	Jan.	8.2	8.5	8.2	12.6
STEEL INGOT PROD. (st) m	Feb.	8.9	9.9	8.7	94
Cumulative from Jan. 1	Feb.	18.8	9.9	17.8	5,692
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 2	342	344	346	94
Cumulative from Jan. 1	Apr. 2	4,452	4,110	3,374	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 28	232	207	190	165
Cigarettes, Domestic Sales—b	Feb.	32	33	29	17
Do., Cigars—m	Feb.	453	481	447	543
Do., Manufactured Tobacco (lbs.)m	Feb.	16	18	15	28

PRESENT POSITION AND OUTLOOK

ber Manufacturers Association. At the same time production was virtually unchanged at 6,847,398 casings. With production topping shipments, inventories at the factory on February 28, 1953, rose to 12,310,653 casings, a 9.1% increase from the 11,287,-880 on hand the month before. A year ago manufacturer's stocks came to 9,180,348 tire casings.

* * *

NEW HOUSING STARTS increased in February to 77,000 units from 71,000 the month before, the Bureau of Labor Statistics has reported. The number of new starts in February was only 700 below February, 1952, despite severe storms in some sections of the country in the latter half of the latest month. The February gain over the month before was most marked in the North and West with a somewhat lower rate in the southern regions which had reported good gains in January. At seasonally adjusted annual rates total housebuilding was proceeding at a 1,227,000 unit clip in February as against 1,157,000 in January and 1,237,000 units in December, 1952. The Bureau notes that there has been a fairly substantial rise during February in the issuance of building permits and this foreshadows continued gains in new housing starts for March, since construction usually begins soon after permits are issued.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. :dlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1947-49—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

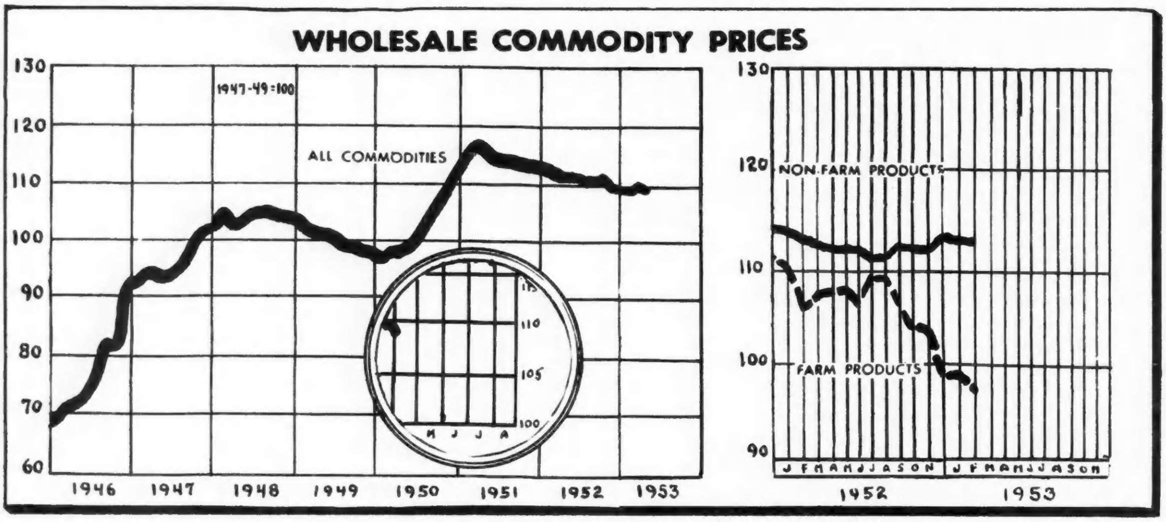
No. of Issues (1925 Cl.—100)	1952-'53 Range High	Low	1953 Mar. 27	1953 Apr. 2
300 COMBINED AVERAGE	215.5	190.7	214.6	207.3
4 Agricultural Implements	295.8	240.3	245.4	242.8
10 Aircraft ('27 Cl.—100)	415.6	278.2	404.9	362.3
7 Air Lines ('34 Cl.—100)	777.8	601.1	687.4	655.0
7 Amusement	102.7	77.1	95.5	90.3
10 Automobile Accessories	289.4	232.0	286.8	273.7
10 Automobiles	49.4	40.2	48.4	46.5
3 Baking ('26 Cl.—100)	28.0	20.8	28.0	27.5
3 Business Machines	398.3	358.5	373.7	362.7
2 Bus Lines ('26 Cl.—100)	182.2	141.6	182.1	180.4
6 Chemicals	418.0	356.4	389.0	381.1
3 Coal Mining	16.0	12.9	13.2	13.0
4 Communications	68.3	61.7	66.2	64.3
9 Construction	72.3	64.8	72.3	71.0
7 Containers	519.4	442.8	514.6	500.1
9 Copper & Brass	175.4	138.8	167.6	159.7
2 Dairy Products	97.7	83.2	97.7	95.9
5 Department Stores	66.0	58.8	62.6	61.4
5 Drugs & Toilet Articles	235.2	205.9	235.2	235.2
2 Finance Companies	413.2	308.1	390.6	378.4
7 Food Brands	200.4	171.5	198.5	192.7
2 Food Stores	120.1	97.4	117.7	116.5
3 Furnishings	79.2	59.3	78.4	75.4
4 Gold Mining	760.0	629.4	700.6	707.2

(Nov. 14, 1936, Cl.—100)	High	Low	1953 Mar. 27	1953 Apr. 2
100 HIGH PRICED STOCKS	133.5	119.2	132.8	128.6
100 LOW PRICED STOCKS	260.6	225.2	260.4	250.9
4 Investment Trusts	112.7	97.9	108.6	106.4
3 Liquor ('27 Cl.—100)	1146.9	843.0	949.4	921.7
11 Machinery	240.6	197.9	238.3	226.8
3 Mail Order	130.6	113.8	128.6	125.0
3 Meat Packing	101.7	75.7	101.7	98.1
10 Metals, Miscellaneous	307.4	237.8	274.1	261.0
4 Paper	474.8	395.3	470.3	461.4
24 Petroleum	485.1	420.1	459.1	449.9
22 Public Utilities	194.4	162.5	194.4	190.6
9 Radio & TV ('27 Cl.—100)	37.0	31.1	36.2	34.7
8 Railroad Equipment	64.3	56.1	64.1	61.1
20 Railroads	53.2	41.3	51.7	49.6
3 Realty	51.5	38.2	50.5	49.5
3 Shipbuilding	269.9	181.0	267.6	253.9
3 Soft Drinks	407.5	301.2	390.3	380.1
11 Steel & Iron	154.8	130.8	149.9	142.8
3 Sugar	73.1	56.8	58.0	56.8
2 Sulphur	625.9	530.4	625.9	608.2
5 Textiles	197.4	137.9	142.8	137.9Z
3 Tires & Rubber	89.7	66.9	85.5	82.1
6 Tobacco	101.6	78.6	97.1	96.2
2 Variety Stores	319.6	294.8	307.2	307.2
16 Unclassified ('49 Cl.—100)	125.7	112.7	124.5	120.9

Z—New Low for 1952-'53.

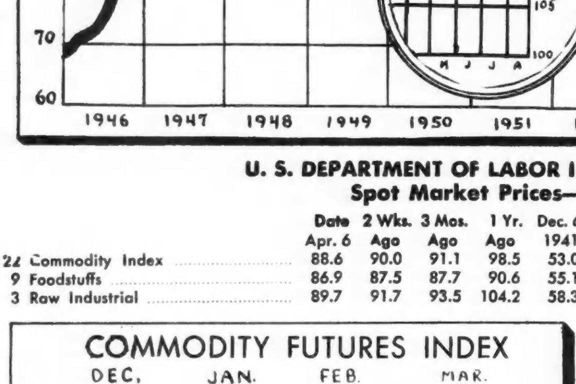
Trend of Commodities

Speculators lightened their holdings in the two weeks ending April 6 as moves towards peace gained increasing credence and commodity futures prices recorded some substantial declines. The Dow-Jones Commodity Futures Index closed at 163.01 on April 6, a drop of 3.53 points in the two week period but still 1.2 points above the year's low made in February. May wheat lost 6 cents from March 23 to April 6 to close at 222¼. The wheat market was dominated by the international news with domestic developments not getting much attention. Although the dry weather in parts of the winter wheat belt is causing anxiety in some quarters, not many buyers were active on this account. The International Wheat Council has reconvened and it is expected that an agreement will be reached enabling participating importing countries to buy new crop wheat below the current market price with the governments of exporting countries paying the difference. This would make for increased demand and would be a favorable long-term factor in the wheat market. Corn futures were moderately weaker during the period under review with the May contract losing 2 cents to close at 156¾. There have been large receipts of corn in Chicago recently and the CCC sold over 100,000 bushels of loan grade corn to the trade. However the movement of corn into the loan should be accelerated as a result of the price decline and feeding ratios remain favorable. These factors should contribute to an improved corn situation as time goes on. Cotton futures bucked the downward trend of other commodities although there were no special news developments favoring this commodity. The July future closed at 33.25 cents on April 6, a 10 point gain for the two week period.



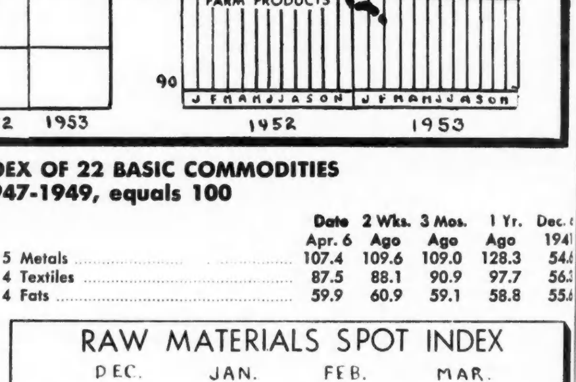
U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Apr. 6	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	88.6	90.0	91.1	98.5	53.0
9 Foodstuffs	86.9	87.5	87.7	90.6	55.1
3 Raw Industrial	89.7	91.7	93.5	104.2	58.3
5 Metals	107.4	109.6	109.0	128.3	54.6
4 Textiles	87.5	88.1	90.9	97.7	56.3
4 Fats	59.9	60.9	59.1	58.8	55.6



Average 1924-26 equals 100

	1952-'53	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	161.9	174.8	134.2	83.6	58.7	61.6	57.5	64.7

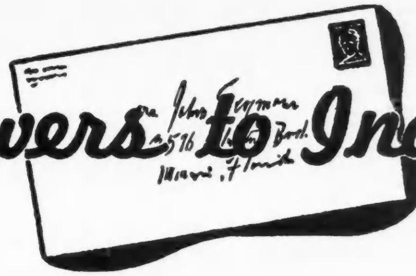


14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952-'53	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	157.4	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Industrial Rayon Corp

"I have been wondering how the slump in the textile industry affected operations of Industrial Rayon Corp. Will you please supply recent earning record, net worth and dividend payments."

P. Y., Lexington, Ky.

Sales of Industrial Rayon Corp. reached an all-time high of $67,-935,000 in 1952, and net income was $8,918,000, or $5.07 per share. This compares with net income of $9,392,000, or $5.34 per share in 1951 when net sales totalled $64,059,000.

Net worth at the end of December was $66,777,000, up $3,646,-000 over the previous year-end, and working capital was $39,738,-000. During 1952 working capital decreased only $1,147,000 after expenditures of $7,230,000 for plant and equipment. There was a substantial increase in productive capacity during the years 1946 to 1952, inclusive, by more than 50% to a capacity of 110,-000,000 lbs. at the year end. It was noted that expansion programs for increased tire rayon capacity, announced a year ago, were in partial operation by the end of 1952.

Expenditures for research and development totaling $1,715,872 included a substantial outlay for work looking toward improvement of cellulosic fibres now being manufactured and for greater efficiency in production methods. High polymer research activities was stepped up and broadened to a point which has lead to work on an enlarged pilot plant with an annual capacity of more than a half million lbs., scheduled for completion during the first half of 1953.

78% of all tire cord manufactured in 1952 was made of rayon as compared with 58% in 1951. Partial completion of tire rayon expansion programs enabled Industrial Rayon to manufacture more of these products, demand for which continued at a high level throughout the year.

The company was not effected by the depth and persistence of the depression in the textile markets last year to the same degree as the industry generally. This, was the result of the superior quality of its textile yarn, the unique policies of merchandising its Spunlo underwear fabric and its relatively large stake in tire rayon. For the year as a whole the company's combined textile yarn operations, including rayons for its own underwear fabric division were curtailed by 11% while the balance of the industry was curtailed by 42%.

Dividends in 1952 including extras totalled $3.00 per share and 75 cents was paid in the first quarter of the current year.

Monarch Machine Tool Co.

"Please give comparative sales volume and earnings of Monarch Machine Tool Co. for the past 2 years and also expansion program and prospects over coming months."

R. A., Butte, Montana

Monarch Machine Tool Company's gross shipments for 1952 were $26,189,610 – an increase of 60% over the $16,406,535 of the previous year. Of this total, foreign shipments were $2,577,-645—about double the previous year's volume of $1,345,683 in machines shipped to European and South American customers.

Net earnings for the year were $1,482,060. equivalent to $3.53 per share on the 420,000 shares outstanding. Comparative 1951 earnings, after taxes, were $742,-217 or $1.77 per share. Federal taxes for the year more than doubled, increasing from $1,617,-700 to $3,450,000.

Reflecting the great increase in shipments of finished lathes and lathe accessories, the backlog—$25,932,253 as of December 31, 1952—was off 13½% from the all-time high of $30,000,00 reached a year ago. Cash dividends were paid for the 40th consecutive year. Increased to 30 cents a quarter at the beginning of 1951, the same rate was maintained during 1952 for a total of $1.20.

Further expansion of plant facilities was made during 1952, this work had consisted of adding 52,400 square feet of new floor area, and modernizing 44,540 square feet of existing plant space.

Prospects over coming months appear favorable. Production was moving smoothly on the new right angle lathe designed and added to Monarch's manufacturing schedule a year ago at the behest of those concerned with the jet engine program. Sufficient orders for these machines and for the regular tool maker and engine lathes and accessories are on hand and currently being received to insure a continuation over at least the coming months of present all-out production of machine tools. Company is also receiving increasing proportion of business from civilian sources.

Pennsylvania Salt Manufacturing Company

"Your magazine has indicated that the Pennsylvania Salt Manufacturing Com-

(Please turn to page 128)

Keeping Abreast of Industrial and Company News

Week-end sailors and others who go down to the sea in ships can now ride the waves in a molded reinforced plastic 17-foot outboard day cruiser that they can put together themselves. The molded hull, deck and cabin are fabricated from glass fiber and Vibrin, a polyester resin of the Naugatuck Chemical Division of the **U. S. Rubber Co.** The parts, comprising a kit, with necessary hardware can be bolted together by the purchaser, then fused into a single unit with glass fiber and Vibrin which is also supplied. Once assembled, the boat will never need caulking, being a single, seamless unit, nor will it ever require a coat of paint, the molded parts being impregnated with color.

Another and major step toward permanently freeing this country from dependence on foreign canmaking materials is the development and mass-production of a tinless can for motor oil by **American Can Co.** It has succeeded in eliminating the traditional side seam solder composed of an alloy of tin and lead and substituting a thermoplastic cement which establishes a strong bond between the layers of metal. A feature of the can is its fully lithographed body providing additional protection against corrosion and oxidation during outdoor display or storage. The new can is now in production at the company's Jersey City, Kansas City and Oakland plants with other plants scheduled to be in production later this spring.

In a further diversification of outlets for its basic raw materials, **Celanese Corporation of America** has started production of butanol, the United States production of which in 1952 aggregated more than 100 million pounds. The product is an important part of Celanese Formcels which the company has been selling for sometime, and butanol production, now being shipped from the Bishop, Texas, plant, broadens the company's line of alcohols and extends its ester program through the addition of normal butyl acetate, an important active lacquer solvent.

In expanding foreign manufacturing operations in the interest of maintaining and servicing world-wide markets for products of its various divisions, **Food Machinery & Chemical Corp.,** has recently acquired 87% ownership of Varley Pump & Engineering, Ltd., of England. The English firm produces gear-type pumps used principally for pressure lubrication service, for circulating machine coolants, and on tank trucks for unloading gasoline. An advantage of the new acquisition is that the Varley firm provides manufacturing facilities in Great Britain for several of Food Machinery's regularly produced domestic lines such as Peerless pumps, which will be placed in production over there immediately, as well as agricultural sprayers, and canning and food processing machinery.

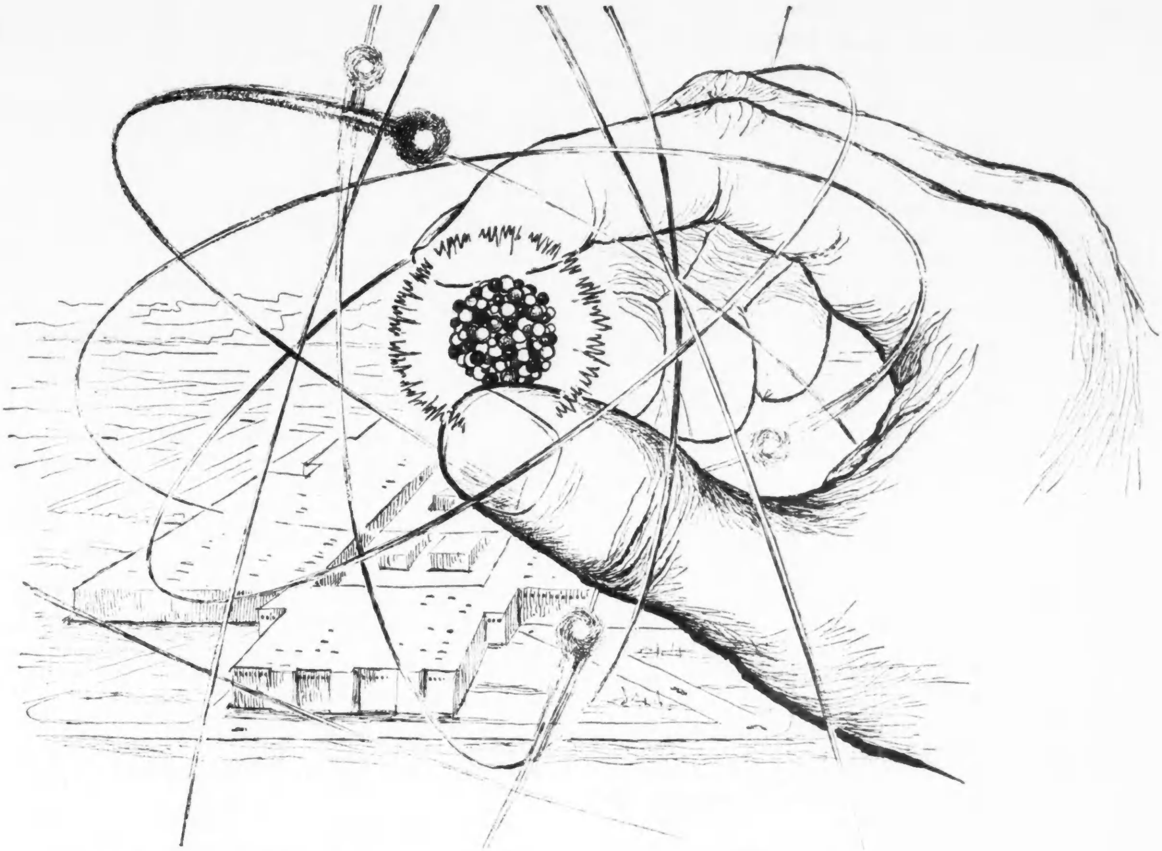
A new fountain pen, the "Ventura" recently put on the market by the **Eversharp Co.,** is made with an "air-jet exhaust" which expels all the air in the ink chamber, allowing the pen, on refilling, to take up as much ink as the chamber will hold. Another feature claimed for the new product is "controlled ink flow", a circulatory feed system controlling the ink flow completely, allowing just the right amount to flow towards the point and eliminating the danger of leaking on the ground or at high altitudes.

The new 46-inch blooming mill of **Granite City Steel Co.,** which went into operation recently represents one phase of the $68 million expansion program begun in 1951 and expected to be completed late this summer, doubling the company's capacity. The new mill, powered by two 5,000-h.p., twin-drive electric motors, is equipped with six fully automatic soaking pits of 100 tons capacity each. The expansion program also includes three new 300-ton open hearth furnaces, three new slab furnaces, a new roll maintenance building, a hot strip roughing mill, a hot strip shear line and 27 coke ovens.

Both **Gimbel Bros.,** and **Marshall Field & Co.,** announce plans to establish large department stores in the new Westgate shopping center in suburban Milwaukee. The new Gimbel unit is expected to be ready for occupancy "within two to three years". It will be of modern design, have about 200,000 square feet of floor space, and will be the second Gimbel store planned for the Milwaukee area. The first unit, to be opened sometime next year, is located in the South Side shopping center. The Fields unit, to be housed in a three-story building, will contain about 250,000 square feet.

A new spring designed to suspend vehicle loads on a cushion of air has been developed by **General Tire & Rubber Co.,** and is now being produced for buses, tractors, single-axle trailers, trucks and similar heavy vehicles. Known as the "General Tire air spring", the new product replaces standard steel springs with load-supporting inflated rubber bellows that ride the axles. It is said to keep the floor of the vehicle parallel to the axles at all times, in spite of shifting loads or improper loading, resulting in longer tire life, more positive braking action and lower operating costs. Air pressure in the bellow-like device is automatically regulated to keep the vehicle floor at the same height whether travelling loaded or empty.

Boeing Airplane Co., has given the standard straight assembly line a new twist by using a horse shoe-type final assembly line that doubles back on itself, permitting final assembly without necessity of workers moving from place to place, making for greater efficiency. (*Please turn to page* 110)



What does Atomic Energy really mean to you?

Dramatic new developments in medicine, agriculture, and industry promise long-time benefits for us all

Scientists have long known that the secret core of the atom concealed vast stores of concentrated energy. Evidence that man had unlocked the secret came with the atomic bomb.

Then came the task of developing methods to release this unbounded energy slowly, gradually, in ways of lasting benefit to all of us.

ISOTOPES AN EXAMPLE—When uranium atoms are split they emit a barrage of highly active particles. Certain chemicals placed in this barrage become radioactive and shoot off particles from themselves. Substances thus treated are called radioactive isotopes.

When these chemicals are made radioactive their paths can be traced through plants and animals, showing the organs they affect. This may increase our understanding of the processes of life itself.

FUTURE UNLIMITED—Atomic energy is also proving useful in industrial research and production. It promises to be even more valuable, however, in providing concentrated power for transportation, home, and industry.

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All of this activity fits in with the continuing efforts of the people of Union Carbide to transform the elements of the earth into useful materials for science and industry.

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DYNEL TEXTILE FIBERS • BAKELITE, KRENE, and VINYLITE Plastics • LINDE Oxygen • PRESTONE and TREK Anti-Freezes

Keeping Abreast of Industrial and Company News

(*Continued from page* 108)

In a move made so that the company could operate all its folding carton and boxboard operations directly, **Robert Gair Co., Inc.,** has merged its wholly-owned subsidiary, American Coating Mills Corp., into the parent company. American Coating Mills was acquired about a year ago from **Owen-Illinois Glass Co.,** for 400,000 shares of Gair common stock and $3.2 million cash. It operates boxboard mills at Elkhart, Ind., Middletown, Ohio, Chicago and Grand Rapids.

A new $30 million fertilizer plant is being planned by Mathieson Mississippi Corp., the recently formed joint subsidiary of **Mathieson Chemical Corp.,** and **Mississippi River Fuel Corp.** A site for the new facilities has not yet been selected but the company has options on three parcels of land south of St. Louis on the Mississippi river and considering other locations in Texas and Louisiana. According to present plans, the new plant would produce an anhydrous ammonia phosphoric fertilizer. Mathieson Mississippi was formed to explore utilization of natural gas in the manufacture of petrochemical products.

Hoes, rakes, shovels and other such implements are now being turned out at the Vernon, Calif, plant of **U. S. Steel Corp.,** with wooden handles that are given a bath of fire to make them tougher and waterproof. The process consists of a conveyor carrying the ash-wood handles through a white-hot furnace for about six or seven seconds. The handles are then cleaned of excessive charring by being pulled through steel brushes with the finished product being shiny black and tough enough, it is said, to stand up under more than usual strain.

Republic Steel Corp., which only last year started experimental work in titanium and titanium alloys, now plans to expand its titanium-making facilities. The company is keeping abreast in developments in this "wonder metal" field and evidently intends to become an important factor in the production of the metal and alloys.

At the Auto Lite Easter "Parade of Stars" Auto Show in New York's Waldorf-Astoria a couple of weeks ago one of the most popular exhibits was **Chrysler Corp.'s** "D'Elegance" an experimental two-passenger sports car 54½ inches in height, having low, recessed headlights, a flat downward sloping hoodline, and powered by a standard Chrysler V-8 engine. Among the features justifying the "D'Elegance" name is a covered tire on the rear deck. By pushing a button the cover is automatically lifted and the tire moves until it comes to rest behind the rear bumper for removal.

Developed to meet the needs of the Armed Forces, a zipper that seals itself against air and water is being adopted by the Ford Motor Co., to seal out moisture around detachable plastic rear windows of Lincoln and Mercury cars. The zipper, a product of **B. F. Goodrich Co.,** operates like any standard zipper with the exception that as it is pulled closed a pair of rubber lips fold over the metal teeth, keeping out dust, rain and snow. Goodrich has made thousands of the pressure-sealing zippers for such items as aircraft gun covers, exposure suits and carrying cases and now sees a civilian market for its product wherever a flexible opening is needed and where protection against dust and water penetration is required.

A lubricant developed to meet the needs of high-power jet aircraft is announced by Standard Oil Development Co., the research and engineering affiliate of **Standard Oil Co. of N. J.** Described as a "synthetic oil", the new product, it is said, supplies the answer to the problem of keeping gears and bearings lubricated at high speeds and over a wide temperature range. Approximately 10,000 miles of flight and ground tests have shown, according to a company statement, that the new "oil" can meet these exacting requirements.

General Dynamics Corp., is buying 400,000 shares of **Consolidated Vultee Aircraft Corp.,** stock and will finance the transaction through bank loans. The seller, **Atlas Corp.,** is understood to have agreed to disposal of its Convair stock for $8.7 million and 20,000 shares of General Dynamics common stock.

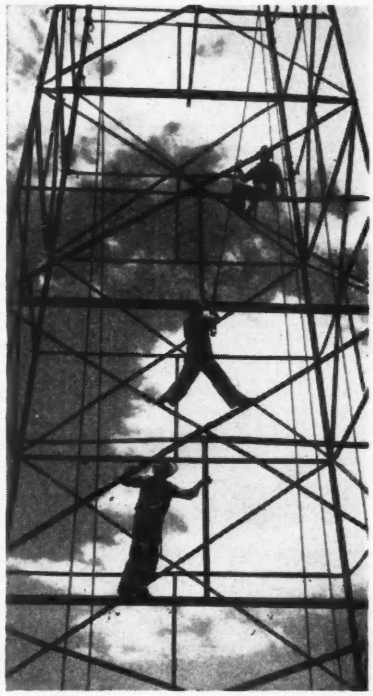
Basically, it looks the same as the company's former jeep models, but **Willys Overland Motors, Inc.,** new civilian jeep, called the "CJ-3B" has a 72-horsepower, 4-cylinder engine, giving it a 20% increase in power rating over the previous model. It lists at the factory at $1,376.90, an increase of $24.77 over the price for the former model, before taxes and the other usual charges.

In cooperation with the U. S. Navy, **Douglas Aircraft Co.,** has created a new, lightweight flying suit for pilots that does away with bulky straps and harnesses of the old-style parachute. The new unit consists of a parachute harness, shoulder harness, seat belt and other equipment integrated into a cover-all slip-on. The suit made of nylon, is said to be 12 pounds lighter than the old, is more comfortable and allows greater freedom of action in the cockpit. Accessories include a less bulky oxygen supply tube, small, lightweight parachute buckles and automatically expanding bladders to protect the wearer on sharp turns or pullouts.

The latest entry in the Hollywood film producers 3-dimensional handicap is **Columbia Pictures Corp.,** announcing its own system. Columbia states that its process can be used to produce a film that gives the 3-D effect through the use of polarized glasses and filters, and yet can also be projected to show the conventional flat picture. Another feature the system possesses, the company says, is that the same film can be shown on regular screens and on the wide, outsized screens in use in many theatres to give the illusion of depth. The company is using its system in the shooting of "Miss Sadie Thompson" now under way and all productions now scheduled for Columbia studio will be made in the same way.

Firestone Tire & Rubber Co., for sometime a maker of tubeless automobile and truck tires, has now developed a tubeless tire for aircraft. The new product uses nylon fabric and is said to be 20% lighter than a rayon aircraft tire with a conventional tube. This reduction in weight means from 7 to 125 pounds less load for the plane to lift and carry. The new tire, made especially for the Bureau of Aeronautics, has been flight tested successfully at the Patuxen, Md., Naval Air Test Center.

Only STEEL can do so many jobs so well

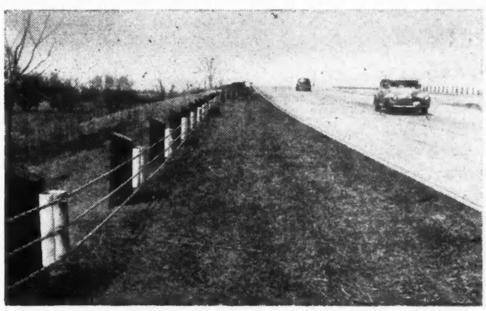


Stainless steel walls mark the handsome skyscrapers of Pittsburgh's Gateway Center. Panels are made of corrosion-resistant Stainless Steel, backed up with lightweight concrete reinforced with welded wire fabric. These are attached to the building frame quickly and easily. Multi-story building walls go up with astonishing speed—in this project, at better than a floor-a-day rate. And because these wall panels weigh less, the weight of supporting structural members is also reduced, resulting in lower building costs.

They work high to dig deep. Steel derricks like this symbolize one of America's most vital defense treasures . . . oil. To help bring up the "black gold" from its ancient, miles-deep resting places, U. S. Steel makes drilling rigs, steel drill pipe, casing and tubing, cement, pumps, wire lines, and tough alloy steels for the drilling bits that can bite through the hardest rock.

Photo—Standard Oil Co. (N. J.)

What price tin? If tin cans were made entirely of tin, they'd be far more costly. But 99% of a tin can is *steel*...and millions of cans a year can be made at prices we all can afford. For steel in semi-finished form costs only about *one fortieth* as much as tin per pound.



Taking no chances is a good rule to follow on modern highways. Drive carefully—the life you save may be your own. This U·S·S American Multisafty Cable Guard saves many lives, too. Over 140 proving ground impact tests, using cars of all types, have demonstrated that this type of highway guard provides greater protection at high speeds.

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GUNNISON HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

3-1034

Good Yields in Guaranteed Rails

(*Continued from page* 93)

a tendency to create a scarcity value and creating an increasing potential of long term appreciation. One reason behind this desire on the part of lessees to acquire guaranteed rail stocks is the burdensome Federal income tax payments most of these lessees are required to pay. With few exceptions, the system leasing the property assumes liability for the Federal income tax assessed against the leased line system. Heretofore, this tax amounted to roughly 75 cents for each dollar paid on the lessors guaranteed stocks, but the rate has now been increased to approximately $1.00 for each dollar paid out in dividends. In view of the basically strong position of most of the lessee operating systems they appear to be in a position to eliminate this tax burden by acquiring outright ownership of the leased lines through stock purchases.

This outlook, however, does not warrant the investor considering guaranteed rail stocks for trading purposes. Because of the comparatively small amount outstanding of each issue, and the fact that they are closely held, there is usually a spread, among the more active medium-priced stocks ranging from one to two points, and among the higher-priced, as much as four points and more. Their strongest appeal is in the opportunities they offer for the employment of long-term investment funds on an income basis. In the past, prices and yields on these stocks have generally moved in harmony with those of railroad bonds, though usually affording higher yields than bonds of equal quality.

In the accompanying tabulation we have listed a selected group of actively traded guaranteed rail stocks showing, in part, dividend rates and yields and seven year price range, and in the following paragraphs we present a detailed discussion of a few of the more attractive issues.

Allegheny & Western Railway Co.

The company owns 60 miles of main line railroad between Punxsutawney and Butler Junction, Pa., which together with branch lines brings trackage to 75 miles. Main trackage gives the Baltimore & Ohio system an important connection for traffic moving between Pittsburgh and Buffalo and Rochester, and for coal traffic moving out of the Clearfield region. The strategic value of this mileage and its sound traffic position is indicated by growth in traffic density in recent years producing ample coverage of the $6.00 annual dividend on the stock.

The Allegheny & Western was leased in 1898 in perpetuity to the Buffalo, Rochester & Pittsburgh under rental terms that provide for bond interest, taxes, organization expenses and a $6.00 dividend on the stock, guaranteed by endorsement on Allegheny & Western's stock certificates. Under an agreement whereby the Baltimore & Ohio operates the Buffalo, Rochester & Pittsburgh, these guaranteed dividends became a part of B. & O.'s fixed charges. This agreement, originally terminable on 60 days' notice by either party, now cannot be terminated, under the terms of the B. & O., Debt Adjustment Plan of 1944, prior to 1957. In this connection, the B. & O., it should be noted, has unconditionally guaranteed certain equipment payments of the Buffalo, Rochester & Pittsburgh extending to 1965.

Dividends on Allegheny & Western stock have been paid without interruption since 1898, and future dividend payments are provided for under terms of perpetual lease of the properties. Dieselization and other physical improvements have greatly improved Baltimore & Ohio's earning power, and outlook is brightened further by increased industrial activity in its territory, all of which strengthens its dividend guaranty on leased line stock.

Beech Creek Railroad Co.

The Beech Creek Railroad owns approximately 118 miles of track running from Jersey Shore Junction to Mahaffey Junction, Pa., which constitutes a strategic network of lines serving the rich bituminous coal regions of Cambria and Clearfield counties in the western part of the state. Bituminous coal tonnage moving over the lines in the area creates one of the heavy traffic density districts in the New York Central System, with the larger volume of this tonnage being carried over a portion of Beech Creek's mileage. While a fair percentage of bituminous coal traffic originates on the leased lines, the value of the property lies in the fact that practically all traffic in the area is carried over the Beech Creek rails. In addition, the New York Central has about $21 million invested in the railroad and coal companies operating in the area which points up the importance of the lines serving these coal fields.

The properties of Beech Creek Railroad were leased in 1890 to the New York Central & Hudson River Railroad for a period of 999 years. With the merging of the latter road, the present New York Central R. R. Co., assumed the lease of the Beech Creek, the lease terms providing an annual rental consisting of bond interest, taxes, organization expenses up to $6,000, per annum, and quarterly dividends at the rate of $2.00 annually on the capital stock.

On the basis of latest figures available New York Central owned all of Beech Creek's bonds, amounting to $6 million and about 45% of 120,000 shares of $50 par value capital stock. Eliminating liability for interest on the bonds and stock owned, the total cost of the lease of Beech Creek to New York Central amounts to approximately $138,000 annually, plus taxes, a small sum in relation to New York Central's investment in the area of about $21 million.

Dividends on the guaranteed stock of Beech Creek have been paid for 63 consecutive years with continued payments provided by the lease that remains in force until the year 2889.

Canada Southern Railroad Co.

The Canada Southern owns about 243 miles of doubled track main line running from Windsor, Ontario, opposite Detroit, to Niagara Falls and Fort Erie across Lake Erie from Buffalo, N. Y. With branches and spur lines total trackage is brought up to 368 miles. Its main line of the road forms an important link in the shortest line of the New York Central System between New York and Chicago, over which moves heavy freight traffic. The trackage constitutes a valuable traffic artery, carrying a variety of manufactured goods, including considerable tonnage in automobiles and parts. About 115 miles of Canada Southern's tracks, be-

(*Please turn to page* 114)

Good Yields in Guaranteed Rails

(*Continued from page* 112)

tween St. Thomas, Ontario, and Suspension Bridge N. Y., is utilized by the Chesapeake & Ohio for which it pays, under a trackage rights agreement, an annual fee substantially in excess of dividend requirements on Canada Southern's stock.

Although Canada Southern does not operate its own property and, therefore, does not report to the ICC, it has substantial independent earning power as indicated from its statements filed with the Dominion of Canada. These reports show that even allowing for deficits in 1945 and 1946 due to nonrecurring factors, average yearly earnings in the 15 years to 1951 were $12.86 a share or more than four times annual $3.00 dividend.

The road was incorporated under the laws of Canada in February, 1868. The Michigan Central R.R., took over the road's properties under lease in 1904 for a term of 999 years. This lease was assumed by New York Central in 1930 when it leased the Michigan Central, although the latter remains liable under the original lease executed in 1904, the terms of which provide for payment of the dividend in U. S. dollars. The capitalization of Canada Southern consists of $29,235,000 of bond debt and 150,000 shares of $100 par captial stock, of which about 55.63% is controlled by New York Central through the Michigan Central.

Pittsburgh, Ft. Wayne & Chicago Ry. Co.

This road came into existence in 1862 as a consolidation in reorganization of a group of four roads. The present company owns about 500 miles of track, its main line of about 471 miles extending from Pittsburgh, Pa., to Chicago, Ill. In June 1869 the road's properties were leased to the Pennslyvania Railroad for a period of 999 years. Under the terms of the lease, the Pennslyvania is obligated to pay all expenses and taxes and a sum equal to $7 per share on both the preferred and common stocks. The preferred stock certificates carry an endorsement to the effect that this issue "is in all respects prior to the common capital stock . . . and the holders of this stock are entitled preferentially to the benefits of the guaranties of the Pennslyvania Railroad Co., expressed in a lease by this company . . . creating a dividend fund adequate to pay 7% per annum upon said stock, payable quarterly free from income and other taxes . . ."

The road's mileage constitutes Pennslyvania's main line between Pittsburgh and Chicago. It represents one of the most valuable and important rail lines in the entire country, over which moves a great volume of freight. In addition, the company owns important terminal properties in Pittsburgh and valuable real estate in Chicago. The Pennslyvania does not report operating figures and earnings of this leased line, but considering the heavy traffic density, the absence of debt, and the relative small amount of preferred stock outstanding, the independent earn-power of the road is undoubtedly many times preferred dividend requirements. Approximately 150,000 shares of the leased road's preferred stock are in the hands of the public, including insurance companies, banks and other fiduciaries. The Interstate Commerce Commission valuation of the properties in 1916 amounted to more than $125 million, or the equivalent of $638 per share of preferred stock. Improvements and additions since that time, especially in the postwar years, has probably added considerably to that figure.

For Profit and Income

(*Continued from page* 101)

yielding over 5.8% currently. Moderately priced growth stocks are not too common in the market. This is one of them.

Sensation

At recent high of 47¾, made in a reactionary market, Pacific Western Oil had almost doubled in a few weeks time. Indicated earning power is around $1.60 a share. Moderate stock dividends have been paid in recent years. Cash payments, when made, have been small. Since there is nothing in the record to get excited about, why has the stock zoomed? Answer: an oil strike in the company's Saudi Arabia-Kuwait zone concession, held jointly with American Independent Oil Co., in which the largest single interest (about a third) is owned by Phillips Petroleum. An oil strike in that area, adjoining the prolific Kuwait field, could be of major importance. One has about as much chance of getting in on a market sensation like this, before it has zoomed, as of being hit by lightning. You cannot foresee an oil discovery or analyze its possible importance in terms of earning power. Pacific Western is one of the Getty-family-oils, the others controlled by the same interests being Tidewater Associated, Mission Corp., and Mission Development.

Mergers

You are seeing a beginning rash of mergers, with more undoubtedly coming, since the Republicans are back in power and less inclined to frown on that sort of thing than the Democrats. Recent examples include Sharp & Dohme, with controlling interest bought by Merck; merger of Willys Overland with Kaiser-Frazer; and purchase of a large block, apparently enough for working control, of stock of Consolidated Vultee Aircraft by General Dynamics (the old Electric Boat Company). The stock of the company that is being acquired tends to rise—sharply in some instances—on insider knowledge before these deals reach the stage of official announcement. The trouble with speculating on mergers is that you cannot distinguish between rumors, possibilities, probabilities and certainties. Even where negotiations are in fact under way, they can be called off because of one snag or another. For instance, Robbins Mills recently ran up sharply on rumors that it was to be merged with American Woolen. An attempted deal was later confirmed. But it fell through, and on announcement of that the stock fell about as sharply as it had risen.

The Chemicals—A Study of Individual Company Potentials

(*Continued from page* 89)

with enlargement of its sales territory. Earnings are largely determined by sales results in the planting season now in progress. Prospects are regarded as prom-

(*Please turn to page* 116)

The Chemicals—A Study of Individual Company Potentials

(*Continued from page* 114)

ising for net profit comparing favorably with last year's $6.17 a share for the fiscal year ended June 30.

American Cyanamid, serving the pharmaceutical and other industries, has a diversified line of products. Keener competition and narrower margins in anti-biotics probably accounted in large measure for a decline in earnings to $3.07 a share from $4.04 in 1951. The outlook is deemed more promising for 1953 and more satisfactory results are anticipated, thereby affording ample coverage for the $2 annual dividend.

Columbian Carbon, one of the major producers of carbon black, has benefited from growth in demand for natural gas and has bolstered its position in petroleum development through participation in exploration of Canadian properties. Lower sales and narrower margins last year reduced earnings to $2.69 from $3.39 a share in 1951. Maintenance of the $2 dividend is regarded as probable for the foreseeable future.

Commercial Solvents, producer of a wide variety of products, has been striving to minimize its dependence on industrial alcohol. A sharp drop in sales, accompanied by narrowing of margins, resulted in a decline in net profit last year to 52 cents a share from $2.22 in 1951. Encouraging improvement is anticipated this year from expansion in output of nitrogen and from increased volume in a newly developed blood extender. Earnings this year may prove adequate to justify continuance of the $1 annual dividend.

Dow Chemical, leader in research and development of new products, has grown to be the fourth largest factor and a major producer of plastics. Magnesium and agricultural chemicals are important items. Earnings for the year ending May 31 may compare favorably with last year's $1.65 a share, affording protection for the $1 annual dividend.

E. I. duPont, deNemours is the country's largest chemical company, whose sales embrace rayon, nylon, cellophane, plastics, organic chemicals such as dyes and pigments, acids and explosives. The company's large investment in General Motors has contributed importantly to dividend protection. Net profit last year of $4.70 a share slightly exceeded the previous year's $4.66 a share. Dividends amounted to $3.55 a share in each year and seem likely to hold at that level for 1953.

Freeport Sulphur, accounting for approximately one-third of domestic output of sulphur, has steadily improved its competitive position by developing new sources. Increased sales lifted net profit last year to $3.05 from $2.63 a share in 1951. With the benefit of higher selling prices, earnings this year seem likely to compare favorably with last year's results and provide ample coverage for the $2 dividend.

Hercules Powder, diversifying products developed from cellulosic and terpene chemical bases, has experienced impressive growth. Expansion into petrochemicals with a phenol from cumene is regarded as holding considerable promise. Net profit dropped last year to $4.03 from $4.95 a share in 1951, but the more encouraging outlook for textiles and plastics is reassuring so far as 1953 earnings prospects are concerned. Maintenance of quarterly dividends of 55 cents is anticipated and a year-end extra may bring total payments this year to the $3 rate paid in the last two years.

International Minerals & Chemical, another concern that has expanded its activities in a program to reduce dependence on plant foods, has experienced encouraging results in diversifying its products and in maintaining satisfactory margins. Progress in pharmaceuticals is regarded as promising. Earnings for the fiscal year ending June 30 may come close to matching last year's results of $2.90 a share despite an increase in capitalization. Dividends are on a $1.60 annual basis.

Mathieson Chemical, one of the most rapidly growing units in the industry, has sought diversification through acquisition of properties, the latest being E. R. Squibb & Sons, placing the company in the pharmaceutical field. Earnings for 1952 came to $3.44 a share, against $3.02 for 1951.

Monsanto Chemical, producing a wide variety of products used in foods, plastics, rubber chemicals, textiles and many other industries, has been steadily expanding output in producing newly developed products. Earnings declined last year to $4.29 from $4.70 a share in 1951. Maintenance of the $2.50 dividend assured. (Please see Candidates for Stock Splits in this issue.)

Rohm & Haas, is a leading producer of plastics and resinous chemicals, as well as a broad line of items. Reduced demand for textile chemicals and other competitive products, resulted in a drop in profits last year to $5.73 a share from $7.48 in 1951. The conservative $1.60 annual dividend may be supplemented by extra distributions in stock.

Texas Gulf Sulphur, rated as the principal domestic sulphur producer, is said to account for about 60 per cent of this country's production. Prospects are regarded as promising for 1953 business and, with selling prices advanced, results may prove better than in 1952, when net profit came to $7.52 a share. This compared with $7.62 in 1951. Despite a seemingly satisfactory outlook, directors adopted a more conservative dividend policy for the first quarter with a reduction in the extra to 25 cents, making the distribution $1.25, compared with $1.75 the previous year.

Union Carbide & Carbon, ranking as the second largest factor in the industry, is the major producer of plastics and has a strong position in new fibres. Alloys and metals as well as industrial gases and batteries are important products. The company is experimenting in gasefication of coal as a source of raw materials for chemicals. Earnings fell slightly last year, as a result of the steel strike, to $3.41 from $3.60 a share in 1951. Dividends seem well established at $2.50 annually, including a year-end payment of $1 a share.

Miracle in Yugoslavia

(*Continued from page* 85)

(Voivodina) and the mines in old Serbia and Mecedonia.

At the same time, mechanization of Yugoslav farming is to be speeded up. Plans have been announced for the purchase of 40,000 tractors—five times as many as there are now in the country—and for the reclamation and irrigation of the Voivodine—the rich area lying between the Danube and the Tisa rivers.

Yugoslavia was in shambles

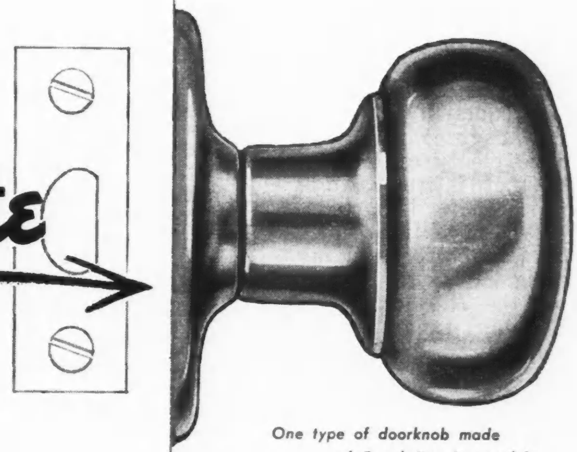
(*Please turn to page* 118)

HERE'S AN EXAMPLE OF

Formbrite

ANACONDA'S BETTER BRASS

for the metalworking industry



One type of doorknob made of Formbrite, Anaconda's new drawing brass that helps polish itself.

Formbrite*, a superior drawing brass, recently introduced by Anaconda's subsidiary, The American Brass Company, supplies the answer to a pressing problem in the metalworking industry. In the fabrication of countless stamped or drawn products, very often the most expensive operation is the finishing, which sometimes costs more than the metal itself.

To help its customers overcome this problem, The American Brass Company developed Formbrite, a metal with an exceptionally fine grain structure which provides a surface far superior to ordinary drawing brass. This superfine grain frequently permits savings up to 50% or more in finishing costs. In some cases only a simple "color buffing" is all that is needed. Formbrite, sold at no increase in price, is now well past the experimental stage. Millions of pounds have been made, sold and successfully fabricated by a wide range of manufacturers.

Formbrite is a result of Anaconda's constant work in metallurgical research and product development. Reflecting the same progressive spirit is Anaconda's company-wide program of improvement, modernization and expansion of existing facilities at its mines, mills and fabricating plants. This includes new mining projects in the United States and an immense new sulphide plant already producing additional copper in Chile . . . an aluminum reduction plant to be built in Montana . . . as well as extensive modernization in the mills of The American Brass Company. Through this program Anaconda is contributing significantly to the vital job of providing more metals and better metal products.

*Reg. U. S. Pat. Off.

For a copy of the new and interesting Publication B-39 on Formbrite Sheet, Strip and Wire write to The American Brass Company, General Offices, Waterbury 20, Conn.

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International Smelting and Refining Company

53272A

Miracle in Yugoslavia

(*Continued from page* 116)

when the Germans pulled out in the spring of 1945, and the eight years of experimenting with communism and socialism have not contributed much to the expansion of overall production. In 1952 the country produced about ¾ of one million tons of steel against a negligible production prior to the war. Although Yugoslavia seems to have plenty of brown coal (lignite), there is little coking coal, which is now imported. From the viewpoint of future industrialization, more promising is the harnessing of swift rivers flowing from the Alps and the Dinaric Mountain ranges. The output of electricity has about trebled since the end of the war. Many river-harnessing projects are now being carried out or in a blue-print stage.

The Yugoslav Army and the Balkan Coalition

Stripped of all the diplomatic talk, the alliance of the West with Tito's Yugoslavia, like that with Franco's Spain, is based on the resistance to Soviet expansion. The Yugoslavs have a large army —probably 250,000 to 350,000 men organized into some 30 divisions—almost half as large as the West-European army which is now being organized. The Yugoslavs have a reputation, like their new allies, the Greeks and the Turks, of being tough soldiers. This may all be so, but on second look the situation does not appear so rosy. Tito's men may be tough, but by Western as well as by Russian satellite standards they are lacking in heavy guns and motorized equipment. The Bulgarian armoured divisions would probably make short work of Tito's army, which is still basically organized for guerilla warfare. The Yugoslav airforce and the navy are also in bad need of modernization which at best will be slow and costly. Until quite recently Tito was not too friendly, and the number of Western military instructors in the country is still very small in comparison with those in Turkey.

The American idea is to help with the re-equipment and the modernization of the army, to interfere as little as possible with internal affairs, and to let Tito work out his economic problems, which, among other things, include the plugging up of a large deficit in international payments.

Tito Using Us—We Using Tito?

As has been pointed out, the Yugoslavs under Marshal Tito's aegis, are working out a new economic system, more liberal and more decentralized than the Soviet system. On one hand they are attempting to adjust themselves to the functioning of the Western World's business and industry, and on the other hand they are trying to preserve their Marxist creed. Will it work? Perhaps unknowingly the Yugoslavs are providing the answer to the riddle: what happens after communism. If they are successful and prosperous, there will be that much more reason for the satellites to break away some day from the Kremlin's grip. Most likely the Yugoslavs will find out that once you begin to de-socialize and denationalize you have to keep on —just as, on the other side, controls breed more controls and more regulations until the state becomes the omnipotent regulator.

It would be foolish to think that Marshal Tito will ever embrace the Western type of democracy—as foolish as to think that Generalissimo Franco will turn Spain into a democracy. The point remains, however, that both Tito and Franco, Spain and Yugoslavia, are essential for the defense of Western Europe against the onslaught from the East. If we use Tito to this end, we will ultimately use him better than he uses us.

There are risks involved in an alliance with an autocrat like Marshal Tito. "Titoism is a lesser evil than Stalinism", concludes Leigh White in his book "Balkan Caesar" for one reason only: Yugoslavia, alone, is but a minor threat to our security. But what if Titoism (national communism) spreads? Would a Titoist Europe be any less of a threat to our security than a Stalinist Europe? Would a Maoist Asia be any less a threat than a Stalinist Asia? What would it profit the United States and its allies to defeat Stalinism at the cost of accepting Titoism?"

Besides, there is always that unpleasant thought that under the presure of internal politics, Mr. Malenkov may some day adopt the "Titoist heresy" himself and change the "communist empire" into a "communist commonwealth". What then?

12 Promising Specialties

(*Continued from page* 95)

plant which Crane will operate with its own capital and which is expected to be in operation within 12 to 18 months after construction work has started. Crane closed 1952 with strong finances. Cash and Government securities of $33 million constituted part of total current assets of $142.5 million, against current liabilities of $24.2 million. Allowing for dividend lapses in 1912, 1932-36, and again in 1938, payments on the common shares have been made since 1873. The current annual rate of $2.60 returns a yield of 8.0% at recent price of 32½, which compares with a 1952-53 price range for the stock of 38¼-28⅝.

The Glidden Company

In addition to the continued progress of its paint and varnish division pointing to greater earnings for the current fiscal year ending Oct. 31, next, Glidden's prospects are further heightened by the elimination of price controls on soy and cottonseed meal and oils that had the company squeezed between costs and fixed selling prices making vegetable oil processing unprofitable through most of its last fiscal year. Lower prices in that period, particularly for products of the Durkee Famous Foods division, resulted in a decline in net sales to $205.1 million from $228.5 million in the year before and a drop in net profits to $3.04 a share on the outstanding stock, from $3.65 a share in 1951. Net in both years, however, provided ample coverage for the current annual $2.00 plus 25¢ extra dividend for the stock which has received dividends without interruption for the last 20 years. Operations of the company are widely diversified.

Aside from the Durkee Famous Foods line and paints, varnishes and lacquers, output consists of soybean products, vegetable oils, chemicals and pigments, naval stores, metals and minerals, and live stock and poultry feeds. The

(*Please turn to page* 120)

12 Promising Specialties

(*Continued from page* 118)

importance the company attaches to research and development activities is attested by its 28 modern research and quality control laboratories out of which have come, among other products, the first latex base enamel augmenting Glidden's line of latex base paints of which it is the leading manufacturer. The stock, currently around 36½, sells to yield 6.1%. Its 1952-53 price range has been 42⅝-32⅞.

Joy Manufacturing Company

Joy, the leading manufacturer of mining machinery as well as being a producer of oil field and construction equipment is facing, according to current indications, a particularly good year in 1953. The favorable outlook is based on an anticipated greater demand for the company's established products in wide use by the coal mining industry and broadening markets for a number of new products for coal and metal mining, quarries, and oil and gas well drilling. In its fiscal year ended Sept. 30, 1952, net sales of the company, in spite of labor disturbances experienced by the coal mining industry, aggravated by the steel strike, reached a record high of $78.8 million, a gain of $8.8 million over 1951, and $33.6 million over 1950. Higher federal income taxes, however, took 60.4% of pretax earnings, the equivalent of $7.93 a share, and held the year's net to $5.19 a share, as compared with $5.68 for the preceding year on 890,324 shares of capital stock presently outstanding.

Elimination of price controls further improve 1953 earnings prospects. Fixed price ceilings last year prohibited Joy from adjusting prices of its commercial products to offset higher wages and materials costs. It alleviated this situation to some extent by improving manufacturing techniques, increasing operating efficiency through installation of new machine tools and expanding production and other facilities, including a new factory building at St. Louis that is expected to be in full operation sometime next month or shortly thereafter. All of these improvements and additions should prove important factors in expanding earning power under current conditions which permit the company to operate in a free economy. The company closed its 1952 fiscal year with a ratio of current assets to current liabilities of 3.17 to one. Dividends, inaugurated in 1939, have been paid in each year since, the current rate being 62½ cents quarterly, plus an extra of the same amount at year's-end. The stock is currently selling around 37, which compares with a 1952-53 price range of 39¾-31½, to yield 8.4%.

Link-Belt Company

For the third successive year Link-Belt sales continued in an upward trend with 1952 volume of $126.5 million establishing an all-time record, exceeding 1951 sales by more than $8 million and 1950 volume by $43.4 million. Several factors, however, contributed to holding net earnings to $4.82 a share against $4.93 in the previous year, on the amount of stock outstanding following the 2-for-1 split in March, 1951. These included strikes in the steel industry in general during the summer of 1952, and in the company's Philadelphia and Houston plants and price regulations preventing an increase in prices for products to compensate for higher wage rates.

The outlook for 1953 is one of continued high sales volume and improved earnings. Such expectations are based on the indicated sustained demand for Link-Belt's drives, shovel cranes, processing machinery, conveying equipment, car unloaders in established practices in almost every line of industrial activity, as well as new sources of business originating in the need for cost reducing efficiency made possible by the company's diversified output of material-handling and other equipment. Link-Belt has further strengthened its position with the opening, late in 1952, of its new Colmar Plant, the added capacity of which puts the company in a position to obtain new business in the growing industrial area along the eastern seaboard. Meanwhile, work on its new Toronto, Canada, plant is proceeding and when in operation sometime this coming summer, should be able to take advantage of the Canadian developments, particularly in the Dominion's mineral and oil resources.

Link-Belt, in its present corporate form, has paid dividends without a break for the last 46 years. The present rate of payment is 60¢ a share quarterly, and a year-end extra of the same amount, the total being equal to a return of 6.5% at the recent price of 45½ for the stock which has a 1952-53 range of 48¾-43.

National Lead Company

Although manufacture of white lead, red lead and other paint pigments, trademarked "Dutch Boy" constitute an important segment of National Lead's business, the company is strongly represented in many other fields. It is a large producer of paints, enamels, varnishes and lacquers, castor, linseed and other oils, lead alloy products, stainless steel valves and castings, oil well drilling materials, acid handling equipment, and many other products including titanium pigments and titanium metal. As recently as last February, the company acquired the Doehler-Jarvis Corp., the nation's biggest producer of non-ferrous metal die castings and manufacturer of ornamental and general hardware.

Sales of National Lead last year amounting to $358 million were off 8% from 1951, the decline reflecting lower lead, zinc and antimony prices but not materially affecting net earnings as the company's primary interest is not the production of non-ferrous metals, but rather the fabrication of products which it sells at fixed differentials over the base prices of the metals. Consequently, 1952 net held at a little better than $23 million, or $2.06 a common share, compared with $22.9 million or $2.05 a share in 1951.

The company's record has been one of constant research and expansion. It has already developed an important position as a producer of titanium metal considered to have the greatest growth potentials of all metals at this time. Jointly with Allegheny Ludlum Steel Corp., it owns the Titanium Metals Corp. of America, the largest titanium producer in the country. National Lead has paid dividends without interruption for the last 47 years. The current dividend is 25 cents a share quarterly, which was supplemented in 1952 with a year-end extra of 45 cents. The yield on the indicated dividend of $1.45 annually amounts to 4.4% at recent price of 32½. The 1952-53 price

(*Please turn to page* 122)

Who got the most from our customer's dollar?

The employees?

NO! In wages, salaries and benefits, our employees received 14¾¢ out of every dollar paid in by Union Oil customers during 1952.

Our payroll, including benefits, totaled $50¾ million. Divided among our 8,756 employees, this amounted to an average of $5,810 per person.

The shareowners?

NO! Our profits in 1952 were $27½ million, or 8¾¢ of each customer's dollar. Of this amount, our preferred and common shareowners received 3½¢ per customer dollar. Total dividends paid to our 40,302 owners of common shares averaged $261.34 per person.

The remaining profits of 4¾¢ per customer dollar had to be returned to the business to help pay for replacement of worn-out equipment and necessary expansion required by the West's greatly accelerated demand for petroleum products.

The tax collectors?

YES! The federal, state and local tax collectors got 18½¢ of every dollar paid in by Union Oil customers. In other words, they got *more than five times as much* as the owners of the business and *one quarter more* than Union Oil employees.

The remaining 58½¢ of the customer's dollar was divided among the many costs of doing business: raw materials, transportation; interest on borrowed money; and wear and tear of facilities and exhaustion of oil and gas reserves.

To sum it up—1952 was the best sales year in our 62-year history. Yet the 40,302 owners of our business received only a fraction over 3¢ from every customer's dollar. That's far less than many people in this country believe goes to the owners of a big business.

UNION OIL COMPANY
OF CALIFORNIA
INCORPORATED IN CALIFORNIA, OCTOBER 17, 1890

This series, sponsored by the people of Union Oil Company, is dedicated to a discussion of how and why American business functions. We hope you'll feel free to send in any suggestions or criticisms you have to offer. Write: The President, Union Oil Company, Union Oil Building, Los Angeles 17, California.

Manufacturers of Royal Triton, the amazing purple motor oil

12 Promising Specialties

(*Continued from page* 120)

range for the stock has been 33⅝-25¾.

Nopco Chemical Company

Nopco is one of the smaller units in the chemical industry but has good diversification of products going into the manufacture of paints, varnishes, lubricants, plastics, rubber, waterproofing compounds and pharmaceuticals. It also produces various forms of vitamin A for the food and pharmaceutical industries and poultry foods. Net sales last year of $18 million fell below the 1951 record high of $22.4 million, and net income, after federal taxes which took more than 50% of operating income, dropped to $1.67 a share, compared with $2.25 a share for the common stock in 1951, after adjustment to reflect the 2-for-1 stock split in January, 1952. The splitup increased the number of shares outstanding to 484,238. The only other capital issue consists of 9,514 shares of $4 preferred stock of $100 par value.

At the close of 1952, Nopco had no bank loans or long-term debt and current liabilities of $1.8 million were exceeded by current assets of a little more than $7 million, including $2 million in cash and $400,000 U. S. Treasury securities. The growth potentials of Nopco are indicated by its broad research program. Each of the company's operating divisions maintains a self-contained research laboratory devoted to improving existing formulae, developing better production techniques on established products and expanding their uses, and to create new products and new processes. Dividends have been paid on the common in every year since 1934, with the current rate being maintained at $1.20 a share annually. This is equivalent to a yield of 6.2% on recent price of 19¼ for the shares which have a 1952-53 price range of 26¾-18⅛.

Penick & Ford, Ltd., Inc.

Elimination of price controls on bulk and packaged foods means, aside from adjustment of prices to costs where warranted, a freer atmosphere in which to operate and the restoration of natural competitive conditions that should prove beneficial to such companies as Penick & Ford, Ltd., by reason of its well entrenched position in the food industry. The company is an important producer of such bulk products as corn syrup, corn sugars and all grades of corn starches, molasses feeds, dextrines and gums, and other materials sold to the baking industry and a long list of other processors including paper makers, the textile weavers, rug makers, paint and lacquer manufacturers, and makers of phaarmaceuticals, to mention just a few. Other products that are packaged and sold in grocery stores and other retail food outlets throughout the country bear such popular trade names as "Vermont Maid" blended maple syrup, "My-T-Fine" pie fillings and desserts, and "Brer Rabbit" molasses.

Net sales in 1952 reached the highest level in the company's long history, amounting to $46.7 million, with profit before federal income taxes also at a new high of $5.6 million, or 18.2% greater than in the previous year. Income taxes, however took 62% of these earnings, bringing net income to $2.1 million, equal to $2.89 a share as compared with $2.83 in 1951.

The 1953 outlook for the company is further strengthened by an improved raw materials situation and the expectation that prices will remain stable. The company has no preferred stock, bonds or bank loans. There are 738,000 shares of common stock outstanding on which dividends have been paid without a break since 1929. The current rate of payment is $2.00 a share annually, returning a yield of 5.5% at recent price of 36¼. The 1952-53 range of the issues is 37⅜-31½.

Scott Paper Company

This company, the leading producer of toilet tissue, household wax paper and paper towels has been broadening and strengthening its position by bringing into the market an improved facial tissues trademarked "Scotties", and a new product, a two-ply paper napkin called "Scotkins", brought out in 1952, with sales restricted to the New England territory until output reaches a volume permitting national distribution. Net sales of finished paper products in 1952, for the 10th consecutive year reached an all-time high of $129.1 million, a gain of $5.6 million over 1951. Sales of pulp totaled $17.7, or $8.3 million less than in the preceding year, the decline reflecting greater use of the product by Scott's own paper mills, with a consequent reduction in pulp sales to other manufacturers. Net income for 1952 amounted to $10.7 million, or $3.44 a share, as compared with $10.8 million, or $3.50 in 1951.

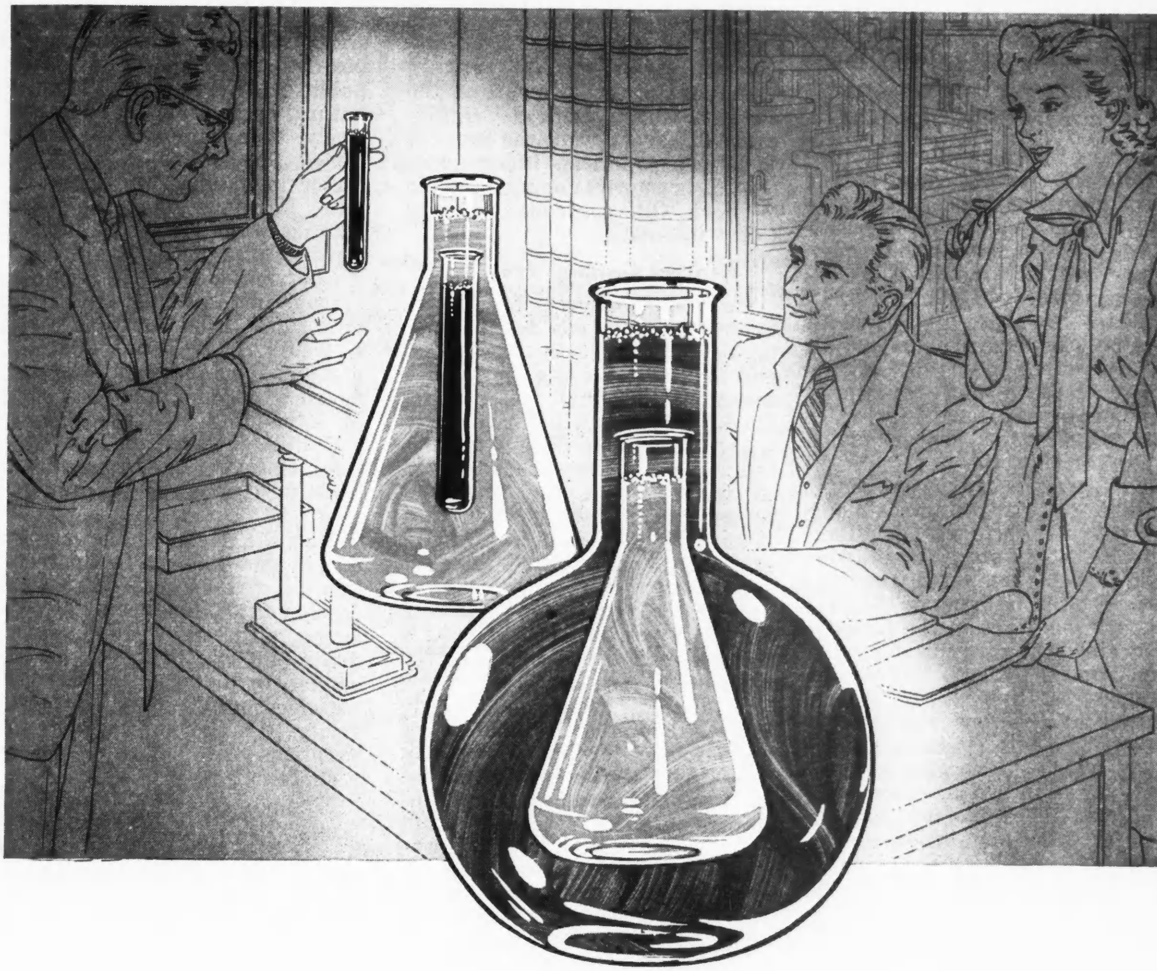
A major contributor to company's growth to date and which will undoubtedly continue to make itself felt is the constant efforts of its research laboratories to increase pulp production, develop not only new products, improve the qualities of established products and create more efficient means of production. The company is backing its optimistic view for the future by the construction, now under way, of two major projects consisting of a new converting plant at Marinette, Wis., and a new paper mill at Everett, Wash., with a third project, yet to be started, in the form of additional pulp-making capacity at the Everett pulp mill. The new construction, requiring an expenditure of about $18 million, is not expected to be in operation until sometime next year.

Some months back, Scott Paper sold $25 million in 3% debentures convertible into common stock at 56 through Aug. 31, 1957, and at a higher price thereafter. At the close of 1952, cash and U. S. Government securities totaling $35.5 million made up part of total current assets of $68.2 million against current liabilities of $23.4 million, or a ratio of 2.9 to one. The common stock split 2-for-1 in 1950 has paid dividends without interruption ever since 1922. It is currently selling around 57 to yield on present dividend of $2.40 annually 4.2%. The 1952-53 price range of the issue is 59-49⅝.

United Biscuit Company

Operating in a relatively stable field characterized by depression-resistant qualities United Biscuit has achieved an outstanding record of growth, with net sales increasing in the 10 years since 1943 from $45.5 million to a record high in 1952 of $110.2 million. With plants strategically located throughout the country to obtain national distribution, the company and its subsidiaries,

(*Please turn to page* 124)



a chemical is a chemical is a chemical . . .

. . . sometimes it never ends. Chemicals have relatively few sources; they come from the limestone quarries, brine wells, coal, oil and gas fields, even the air around us. But linking these raw materials with the major chemical consuming industries is a complex operation. It involves hundreds of chemical manufacturers with the specialized skills necessary for the production of thousands of chemicals.

It is often said that the chemical industry is its own best customer. This is probably true because most chemicals are made from chemicals. At Mathieson, soda ash, caustic soda, chlorine and sulphuric acid, for example, are end products. On the other hand, they may be the starting point for other chemical manufacturers whose output, in turn, goes into producing more chemicals.

Here's the result: new and improved products and processes that benefit everyone. Through chemical research come great advances in the manufacture and utilization of glass, steel, plastics, paper, textiles, fuels, pharmaceuticals, and agricultural chemicals. It is this progress—resulting in the development of new chemicals and an ever-increasing demand for raw materials—that keeps the chemical industry growing.

MATHIESON CHEMICAL CORPORATION
Baltimore 3, Maryland

1527-A

CAUSTIC SODA • SODA ASH • LIQUID CHLORINE • SULPHUR • SULPHURIC ACID • BICARBONATE OF SODA • AMMONIA • SODIUM NITRATE • NITRIC ACID • SODIUM METHYLATE • SODIUM CHLORITE
HYDRAZINE • HYPOCHLORITE PRODUCTS • DRY ICE AND CARBONIC GAS • AMMONIUM SULPHATE • ETHYLENE DERIVATIVES • METHANOL • AGRICULTURAL CHEMICALS—FERTILIZERS AND INSECTICIDES

12 Promising Specialties

(*Continued from page* 122)

operating in the main under a decentralized system, rank as the third largest producer of crackers, cookies and biscuits, practically all of which are sold through retail outlets, In addition to baking activities, United Biscuit operates its own carton factory to supply its requirements and for sale to other users of folding boxes, cartons and containers, most of the paperboard for which is supplied by a paperboard manufacturing subsidiary.

Net earnings of the company in 1952, in spite of rising costs during the year, held at 4.3 million, equal to $4.19 a share for the common stock, as compared with 1951 net of $4.5 million, or $4.35 a share. Conditions in the industry indicate an improvement in 1953 sales and earnings. Aiding the company in this respect will be output of the new plant of its Sawyer Biscuit Division at Chicago, which is expected to be in full operation by mid-summer, as well as the economies and increased efficiency in other bakeries and facilities brought about by expenditure in 1952 of $8.5 million for replacements and additions. The company also plans erection of a new and completely modern plant at Macon, Ga., to be completed and in operation in the latter part of the coming year.

Dividends on the common stock have been maintained without a break since 1928. The current rate of 50 cents a share quarterly was established in 1952, affording a yield of 5.5% at recent price of 36 which compares with a 1952-53 price range of 37⅝-30½.

Oil Industry in a Changing Economy

(*Continued from page* 99)

with that attained in recent years. Exploration is continuously being pushed and competition compels producers to drill in areas where other companies are at work. Interest is high in the outcome of the tidelands oil issue. While important to individual companies affected, it will take some years to develop these properties.

Indications that world output may be expected to continue to expand are seen in the recent discovery in the neutral zone between Saudi Arabia and Kuwait on the Persian Gulf, where a "significant" discovery well was brought in by the American Independent Oil Co., in cooperation with Pacific Western Oil, controlled by the Getty interests.

General Earnings Prospect

Earnings prospects for the industry generally are regarded as no better than fair. Production and exploration costs continue to mount, while selling prices of refined products are increased only with considerable difficulty. Modest advances have been adopted on the Pacific Coast, but elsewhere the industry has felt that it has been fortunate in avoiding expensive "price wars" as a result of excessive inventories of refined products. Wage costs rose about 7.5 per cent last year as a result of settlements ending the widespread strikes.

With indications pointing to increased production and sales, gross volume on the average may range 5 to 8 per cent ahead of 1952 totals, but unless conditions change later in the year, profit margins may be slightly narrower in 1953. Net income may not differ greatly from that of last year except in isolated instances of unusual gains. Some companies engaged chiefly in production may do somewhat better. Profits should prove adequate to support current dividends with few exceptions. On the whole, therefore, the industry may be expected to experience a satisfactory year and investors should feel assured of stable income.

With these generalizations, we may turn now to brief comments on prospects for individual companies.

Amerada Petroleum is one of the most successful developers of crude oil and a leading producer. The company has taken a lead in discovering new sources in the Williston Basin. Reserves have been greatly enlarged.

Atlantic Refining, a leading marketer in the North Atlantic area, has recorded substantial progress in finding new production. Output has been enlarged to a point where it comfortably exceeds half of refinery requirements. Need for retention of earnings in financing an ambitious expansion program may restrict dividend distributions.

Cities Service has made impressive strides in strengthening its position since disposal of its large public utility interests. Volume in natural gas has expanded impressively. The company was mentioned for a time as a possible factor in solving the Iranian dispute. Earnings show promise of holding in the vicinity of the 1952 showing of $12.67 a share.

Continental Oil has promising acreage in the Williston Basin on both sides of the Canadian border as well as in Wyoming and other areas in the Southwest. The management is committed to a policy of expanding its petrochemical activities. Enlargement of operations this year holds promise of boosting earnings above last year's $3.91 a share.

Gulf Oil, one of the largest producers and refiners in this country, is well represented also in foreign fields. The company's reserves in Kuwait, a prolific source, are reputed to be vast; the concession in that country has been extended until 2026. Net profit this year may compare favorably with last year's showing of $6.01 a share.

Humble Oil & Refining, controlled by Standard Oil of New Jersey, is believed to have the largest domestic crude oil reserves and to be a leading holder of natural gas resources. Prospects for long term growth are regarded as reassuring.

Ohio Oil ranks as a well managed producer with output far exceeding refinery requirements. Earnings seem likely to register modest improvement over the 1952 showing of $6 a share and may compare favorably with 1951's $6.35 a share to provide wide coverage for the indicated $3 annual dividend.

Phillips Petroleum has achieved a pre-eminent position in natural gas and in petrochemicals as well as in the conventional refined products. The company is considered the largest producer of natural gasoline and is a large factor in carbon black manufacturing. Prospects were improved in the Near East with the discovery of an important field on the Persian Gulf by American Independent, in which Phillips owns a 34 per cent interest.

Pure Oil stands to benefit importantly from restoration of off-shore properties to state control, according to industry authorities,

(*Please turn to page* 126)

C&O REPORTS FOR 1952

The regular quarterly dividend of seventy-five cents a common share was paid, a total of $3. Preferred dividends of $3.50 a share were paid as usual.

Net income of $45 million was outshone in C&O's history only in 1936 and 1941. Equal to $5.66 a common share, the earnings were eighty-six cents higher than in 1951 and $1.41 higher than in 1950.

On the good side, the year brought a high level of business. Steady mining operations kept coal traffic flowing. In May a freight rate increase helped offset rising railroad costs. For the C&O, tax deferments were given on engines, cars, ships and other facilities necessary for the country's defense program.

On the bad side was the longest strike in the history of the steel industry. Export coal shipments dropped from the record levels of the year before. C&O's own Lake Michigan fleet was tied up by a four-month work stoppage.

The careful planning, the progressive railroading and the outweighing of bad by good factors brought the year's favorable outcome.

PROGRESS HIGHLIGHTS—Merchandise revenues set a new record of $144.6 million, slightly above 1951's $144.5 million.

Coal and coke revenues were $185.3 million, exceeded only by 1951's record of $196.3 million.

Gross operating revenues at $355.7 million were $12.5 million below 1951's record of $368 million.

An all-time record was achieved in average trainload, reflecting operating efficiencies. The transportation ratio of 31.5% was the best since 1945. Despite a drop in revenues, the operating ratio of 71.2% was only slightly above 1951's 71%.

One hundred and eight new industries, expected to bring $3 million annually in revenues to C&O, were located along the railroad.

Equipment expenditures of $72 million included 220 Diesel units, bringing ownership to 609 units.

Chesapeake and Ohio in the year was:

FIRST among bituminous coal carriers.

SECOND in number of shareholders—including 1,900 new shareholders under the Employees Stock Purchase Plan.

THIRD among major railroads in gross ton miles per freight train hour—a mark of efficiency.

FOURTH in net income earned—although only seventh in total revenues.

FAIR PLAY—Among the public, the press, the regulators and, most importantly, the legislators, there seemed to grow in 1952 an awareness of fair play for the railroads. More people began to talk of how unfair it is to make the railroads play the business game by an out-of-date set of rules while their competitors play by a more favorable set.

Your progressive C&O has been proud to take a leading role in telling the American people that their railroads are today not a transportation monopoly but a competitive industry. The Federation for Railway Progress, of which C&O is a member, also was active in 1952 in calling for fairer regulation of the railroads. In 1953 it is hoped this vital issue will get the legislative attention it deserves.

Robert R. Young.
CHAIRMAN

Walter J Tuohy
PRESIDENT

BOARD OF DIRECTORS

James G. Blaine	Thomas J. Deegan, Jr.	Henry J. Guild	Harry C. Thompson
Robert J. Bowman	Cyrus S. Eaton	Allan P. Kirby	Walter J. Tuohy
Robert J. Bulkley	Herbert Fitzpatrick	William H. Lipscomb	Andrew Van Pelt

Robert R. Young

These highlights appear in C & O's 1952 Annual Report. For a copy of the complete report, write to:

Chesapeake and Ohio Railway

3921 TERMINAL TOWER • CLEVELAND 1, OHIO

Oil Industry in a Changing Economy

(*Continued from page* 124)

for the company has promising production in the Gulf of Mexico near the Louisiana shore. Reserves have been enlarged in Texas and an extensive refinery modernization program has been financed out of retained earnings. Net profit this year seems likely to compare favorably with the 1952 showing of $6.17 a share.

Richfield Oil, operating on the Pacific Coast, has fared well from discovery of important reserves in the Cuyama Valley of California. Emphasis has been placed on production of aviation gasoline. Earnings have held in the $7 a share area, affording wide coverage for the $3.50 dividend paid in 1952.

Shell Oil is one of the leading integrated companies in the United States and ranks as a leader in petrochemicals. Earnings dropped last year to $6.75 a share from $7.20 in 1951 and seem likely to hold in the $7 area this year.

Sinclair Oil has substantially improved its producing properties and bolstered its reserves. With the benefit of a non-recurring capital gain, earnings last year topped the 1951 results of $6.78 a share and a slightly lower income may be anticipated this year.

Socony-Vacuum is one of the largest units in the industry with extensive producing and marketing facilities in this country and with important supply sources abroad. Reserves have been increased encouragingly. Important progress is reported in Canadian explorations.

Standard Oil of California, one of the important units in the "S.O." group, is a major West Coast factor and is one of the principal owners of the large producer in Saudi Arabia. This company also has placed important emphasis on chemicals.

Standard Oil (*Indiana*), the outstanding marketer in the Middle West, has enlarged its operations steadily in recent years and has taken steps to capitalize on its extensive natural gas reserves. Strong growth in its marketing area is a favorable factor. Earnings could range above last year's $7.81 a share.

Standard Oil Co. (*New Jersey*), the largest concern in the domestic field and one of the world's leading concerns, is represented in all phases of the industry. Continued growth in line with the average for the country is in prospect. Earnings show promise of holding close to the estimated 1952 level of $8.55 a share. (The company has not yet issued its final 1952 statement to stockholders.)

Texas Company, ranking as among the largest in this country, markets its products on a nationwide basis as well as in Canada through an affiliate. The company is associated with the group controlling the Arabian-American Oil Company. Prospects are regarded as promising for continuation of last year's gains. Net profit may approximate 1952 results of $6.59 a share.

Measuring The New Norm In Consumer Buying Power Today

(*Continued from page* 75)

factors considered in this review are debatable, particularly as to degree. It is impossible to predict accurately just what emotional reaction will take place in the industries facing reductions of government orders. It is likewise impossible to gauge at just what point installment credit becomes disaster, or to what extent the great amount of credit now outstanding represents a mortgage on future purchasing desires.

It was stated earlier that by estimate, there exists in the country today 66 per cent more purchasing power in the form of disposable income than existed in 1940. It was further stated that after considering all factors, an increase of only ten or twelve per cent in personal purchasing was necessary to make up the reduction in arms spending and continue the economy on its climb.

The exact amounts in each case can be argued. But what is inescapable is the fact that business is in an entirely new era in its history and that the old landmarks of calculation and estimation have disappeared since 1940, the period of our greatest economic growth. These new foundations of our economy offer business the opportunity to take the predicted cut in arms spending in stride and continue to higher levels on a structure resting mainly on civilian purchasing power.

The new norms of buying power present an optimistic picture. So optimistic, in fact, that several factors which will have an extremely beneficial effect on the economy were not mentioned, for fear of hinting at a one-sided picture.

The coming tax cuts, for example, which will be made possible by the reduction in arms buying, will release a proportionate amount of purchasing power. It could be argued, however, that the earliest and greatest cuts will be of benefit to corporations, and the resultant individual buying power benefit minimized.

But it also seems certain at this time that the economy faces a period of lowering prices. And this will increase the purchasing power of the one segment of the economy that has been hurt rather than helped by the growth of the past decade: the fixed income group. In addition to the increased purchasing power of the vast majority who climbed to a higher income level, there will be a stronger buying power in those living on pensions, retired workers, investors, disabled veterans. There will be increased purchasing power in the long-suffering white collar group, teachers, etc.

The economy, in short, now contains forces which will enable it to climb to successive new peaks in the coming years.

For those who fear the possible effect of a cut in defense expenditures on civilian buying, it should be pointed out that from the end of the war until 1947, military expenses were cut by the gigantic sum of $125 billion. Yet the standard of living advanced by some 38% in this period. It is not necessary to point out that the sum of $125 billion mentioned is vastly greater than the maximum cut that is likely under present conditions. This maximum is estimated at $20 billion or roughly one-sixth of the cut after the end World War II.

With this in mind, it would seem that the fear of a genuine recession as a result of any cut in arms is not well-founded. True, we are in for a period of adjustment which may be extended. Nevertheless, as shown in this analysis, the basic factors involving consumer buying power and its future seem fundamentally strong and dynamic.

New Trend in Investment Values and Yields

(*Continued from page* 77)

mately 160%. As these bond yields increase, stock yields must eventually increase as a result of the competitive process. How high these yields may go ultimately is, of course, impossible to predict. However, it is interesting to observe that in 1946, for example, yields on common stocks averaged 3¾% at the peak of the bull market and subsequently reached an average level of over 7%. During all of this period, bond yields maintained an average of 2½%. It is obvious that in 1946 the ratio of 150% in stock-bond yields was too low and that an adjustment would follow. This actually occurred and by 1949-1950 the ratio changed to 290%.

Additional Factors

All this has importance insofar as long-range planning is concerned since basic trends are established when the ratio of stock and bond yields becomes distorted in either direction. Nevertheless, the investor cannot apply the fundamental principle indiscriminately. There are several other factors that must be weighed in appraising long-term trends. One is the fact the long-term trend may be interrupted for periods varying from a few months to a year or more. This may be the result of a temporary change in underlying business conditions or it may be due to important fluctuations in the domestic or international political climate. In any case, these reversals in major trends can be quite sharp, though limited as to duration.

Another important factor is earning power itself. This, of course, is one of the great determinants in stock values. However, it seems to be true that distorted ratios between bond and stock yields reflect potentialities towards changes in the general trend of earnings. If this is true, the present low ratio of stock to bond yields would seem to herald a longer-term trend toward a lower earning base.

There are some qualifications that should be stated insofar as they concern present conditions. In the first place the momentum toward sustained high earnings is still very great and no important change is expected for months to come. Second, the tax outlook will play a strong role both in earnings and on dividends, hence, yields. This, however, remains indeterminate at present as there is no certainty as to how Congress will act on taxes this year.

The Soundest Policy

Assuming that over the next few years, stock yields gradually approach a better balance with bond yields, what is the best policy for the investor? It would seem that during the earlier part of this process, bonds should occupy a somewhat greater portion of the portfolios than was advisable in recent years. This seems a logical approach as a defense against the period when common stocks are finding a new level. The same argument holds good for the inclusion of the best-grade preferred stocks in the investment list. In other words, present improved yields on fixed income bearing securities offer protection against a decline in common stock values.

As to common stocks, especially under modern conditions, when the market no longer moves as a whole and, indeed, has become more and more selective, the soundest plan is regard stocks entirely on an individual basis. Stocks of doubtful earning power should be eliminated from portfolios, common stock and holdings should be concentrated in those companies with definite and satisfactory prospects for long-term earnings for it is only on this foundation that dividends are possible. Care must be taken, however, that investment in such issues is made when the yield is substantially greater than on bonds. If the "spread" is too narrow, too high a price will have been paid for the stock.

Another factor that must be borne in mind is that regardless of the general economic trend, new industries develop and new products are manufactured that may greatly increase the earning power of these groups and which, therefore, afford a favorable field for investment. The development of TV and the new pharmaceuticals after the end of World War II gave a fine long-term opportunity for capital-gains investment though the market receded from 1946 to 1949. In other words, the general decline in stocks which took place in that period did not prevent the commencement of a great rise in these two groups.

In conclusion, it would seem that average stock yields are too low in comparison with yields on fixed-income bearing securities and that they will eventually have to adjust to the new conditions. This conclusion is based on considerations which apply to the general underlying trend which seems in prospect and may not apply to specific situations.

Answers to Inquiries

(*Continued from page* 109)

pany is a growth company. Please furnish recent earnings, expansion program and dividends." B. T., Cleveland, Ohio

Expansion of production facilities during 1952 and the acquisition of Sharples Chemical Inc. early in the year have given the Pennsylvania Salt Manufacturing Company a broader base than it has ever had before.

During 1952, $7,280,000 was spent on expansion. This was more than in any previous single year. This included expenses on a new $8,000,000 chlorine, a caustic soda and anhydrous hydrogen chloride plant at Calbert City, Ky. due for completion in mid-1953, and on facilities to more than double the production of synthetic ammonia at Wyandotte, Michigan, also due for early completion.

Throughout the year, new construction was going on at some time at every one of the company's plants, either expanding production capacity of existing installations or adding new facilities.

The company has been granted certificates of necessity permitting accelerated amortization on more than half of these investments, and funds from this source, in addition to normal depreciation and retained earning are expected to be adequate for the new construction planned in the near future.

Sales in 1952 were $57,484,298, the highest in the company's history and 21% above sales of $47,554,688 in the previous year.

Net earnings after federal and state income taxes were $3,217,942, compared to $3,542,309 in the previous year. The 1952 earnings were equivalent to $2.59 per share on the 1,242,799 shares outstanding at the year end, as com-

(*Please turn to page* 130)

Answers To Inquiries

(*Continued from page* 128)

pared with net earnings of $3.30 per share on the 1,074,410 shares outstanding on December 31st, 1951.

Earnings were adversely affected last year, by the steel strike, by controlled prices while costs rose, and by reduced sales of agricultural chemicals due to the drought, and by the fact that the company charged $470,423 against profits for accelerated amortization.

The long-term debt, including that of Sharples Chemicals Inc. was reduced from $5,158,000 to $4,840,000 by the year-end. The common stock was increased by 168,389 shares. This included 13,040 shares, in addition to 75,375 shares issued at the end of 1951, to acquire Sharples Chemicals, Inc. and 155,349 shares sold to shareholders in April and May.

The net proceeds of the latter, amounting to $7,332,701 were used to help finance the company's expansion program, and since most of this expansion would not begin producing until mid-1953, very little return was realized on this investment during 1952.

Dividends including extras totalled $1.70 per share in 1952 and 40 cents was paid in the first quarter of the current year.

American Export Lines Inc.

"Please furnish recent data on American Export Lines Inc. giving earnings and dividend payments and also operating costs and financial position."

C. I., New Orleans, La.

American Export Lines Inc. reported for 1952 net profit from all operations after all charges of $3,837,223. This compares with profit of $2,295,412 for the previous year. Net profit includes operating-differential subsidy of $13,243,901 for 1952 and $9,551,279 in 1951.

Dividends at the rate of 37½ cents per share was paid for each quarter on 1,200,000 shares of common stock outstanding.

Freight revenues of $41,878,591 exceeded those of the previous year by 8% and were 42% ahead of 1950. Passenger revenues of $16,572,948 were 30% ahead of the previous year by virtue of a full year's operation of the new, large New York-Mediterrian express passenger liners S.S. Independence and S.S. Constitution.

Operating costs increased sharply due to general increase in wages in all branches of operations afloat and ashore. One example is that average earnings of able-bodied seamen have increased about 40% during the past two years. Fuel oil average costs increased 10% over the previous year.

Net working capital increased during the year from $11,315,877 to $12,199,830. Concurrently bank loans were reduced by $5,-

(*Please turn to page* 132)

Answers To Inquiries

(*Continued from page* 130)

000,000. An additional $1,000,000 has been repaid since December 31, 1952. Amounts due from the Federal Maritime Administration for operating-differential subsidy for past years have increased approximately from $16,500,000 to $23,000,000. Anticipated determination by the Federal Maritime Administration of final operating-differentials for the years 1948 to 1951 should result in reducing the amount withheld and make possible elimination of the bank loans.

With particular reference to cargo carryings, 1953 prospects were not presently as bright as the corresponding period last year due to the uncertain foreign aid situation, increased competition and unstable freight rates. In contrast, the passenger business outlook appears excellent.

On April 1st the General Account office of the U. S. Government said it is withholding payment of $6,350,000 in operating subsidies for American Export Lines to cover what it claims is an excessively low purchase price on two vessels which American Export bought from the government. The two vessels are the Independence and Constitution. It was indicated that the matter might finally have to be settled by the courts with a suit by American Export Lines to get the withheld subsidies and a counter suit by the government to cover more of the initial cost of the two vessels.

Mississippi River Fuel Corporation

"Some months ago you discussed the natural gas industry rate situation but since them the Federal Power Commission has made some rate increases to companies in this industry and I was wondering how Mississippi River Fuel's revenues totalled for the past year, their net income and also would like to hear about their expansion into the petrochemical field."

C. F., New Rochelle, N. Y.

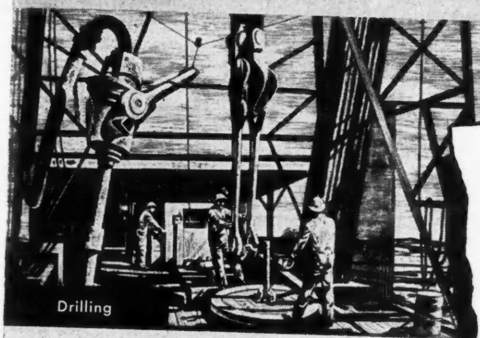
Revenues of Mississippi River Fuel Corporation, listed on the New York Stock Exchange, totalled $34,354,528 and net earnings after tax provisions were $4,823,487 in the year ended December 31st, 1952. Revenues in the preceding year were $29,782,837 and earnings were $4,452,-

(*Please turn to page* 134)


Oil Exploration

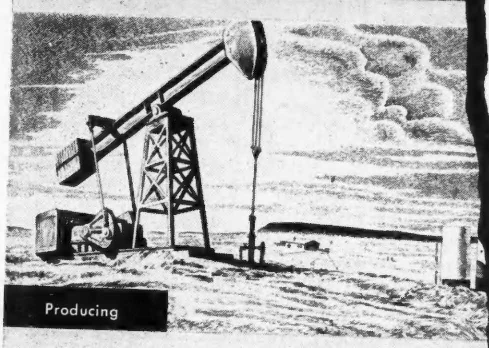
32nd ANNUAL REPORT

SUNRAY OIL CORPORATION
TULSA, OKLAHOMA


Drilling

HIGHLIGHTS OF ACTIVITY, 1952-51

FINANCIAL	1952	1951
Gross operating income	$ 127,759,794	$ 125,720,760
Net income	24,724,411	24,282,516
Earnings per share of Common Stock	2.30	2.23
Cash dividends declared	1.20	1.20
Cash dividends (Common Stock)	11,976,952	11,664,372
Capital Expenditures	32,802,765	36,047,891
Total Assets	$ 285,246,325	$ 276,267,505
Current ratio	3.27	3.01
OPERATING		
Net oil produced, bbls.	25,666,137	26,632,469
Refinery Runs, bbls.	14,506,969	13,555,528
Net gas produced, MCF	66,601	57,507


Producing

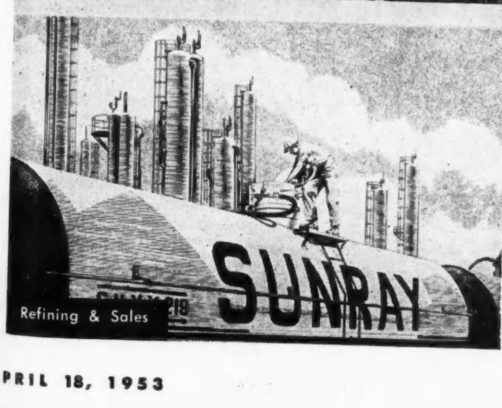
THE SUNRAY STORY for 1952 is not told fully in the brief statistics noted above. Mere figures cannot tell the drama of constant exploration for new oil and gas fields from Texas to Canada . . . the rewards that the drilling bit finds under offshore waters along the Gulf Coast, in the swamps of Louisiana, or the remote distances of British Columbia . . . the miracles unfolded by the refining of oil into its many by-products . . . the progress of the oil industry of America and the progress of SUNRAY in particular. As SUNRAYMEN enter the company's 33rd year of growth and progress — the future challenge is as lively as the past has been successful.

Chairman *President*


Pipe Lines

If you want to know more about us, write for your copy of SUNRAY's 32nd Annual Report on activity in 1952. Write SUNRAY OIL CORPORATION, P. O. Box 2039, Dept. PR-9, Tulsa, Oklahoma.

SUNRAY NATURAL POWER OILS



Refining & Sales

Answers To Inquiries

(Continued from page 132)

556. On the basis of 1,351,391 shares of common stock outstanding, the 1952 earnings were equal to $3.57 a share as against $3.29 a share in 1951.

Sales of gas during the year set a new company record, totalling 146,967,000 cubic feet and rising 14% from 1951's previous record of 128,895,000 cubic feet. The daily sales capacity of the company's pipeline system was increased 12½% to 450,000,000 cubic feet with completion of new facilities in December. Three compressor stations formerly operated under lease were purchased for $2,312,000.

Refusal of the Federal Power Commission to authorize an increase in the company's rates to utility customers put Mississippi River Fuel in a position of being required to sell gas at a lower price than it pays one of its major suppliers. United Gas Pipeline Company became a supplier of gas to the company under a contract extending to 1977, replacing original supplier in the Monroe field in Louisiana, whose contracts expired in 1952.

The company took the first steps to enter the petro-chemical business during the year by joining with Mathieson Chemical Corp. in forming the Mathieson Mississippi Company. The new company is conducting engineering marketing and economic studies to determine the possibilities of using natural gas in the petro-chemical field. The company's cash position was strong at year's end and no financing or borrowing is contemplated for the current year. Total assets on December 31st, were $105,934,617 as against $103,716,900 a year before.

Dividends in 1952 totalled $2.20 per share and $.50 cents was paid in the first quarter of the current year.

Brooklyn Union Gas Company

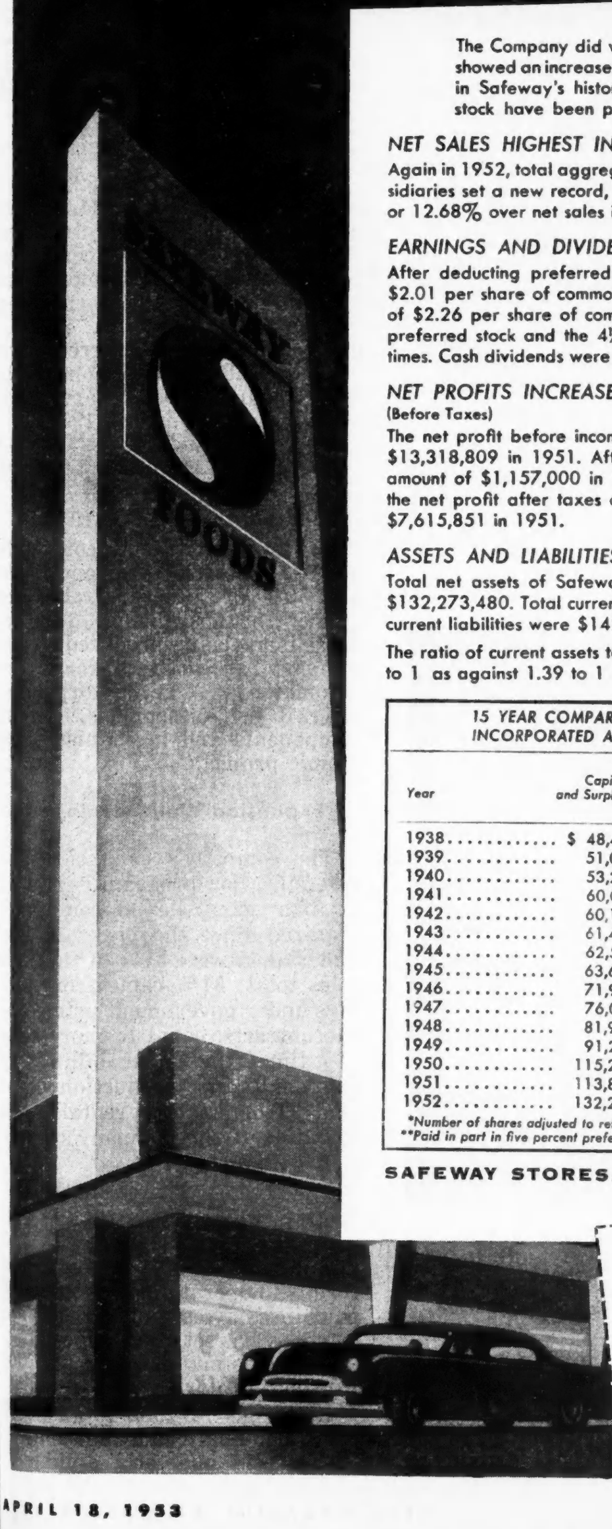
"I have been a subscriber to your publication for over a quarter of a century and enjoy your articles very much. Please submit operating revenues of Brooklyn Union Gas Company for the past year and dividend payments."
K. I., Yonkers, N. Y.

Brooklyn Union Gas Company showed a net income of $3,152,000 for the year 1952 which may be

(Please turn to page 136)

SAFEWAY STORES, INCORPORATED

Reports of 1952 activities



The Company did well in the election year. Net income before taxes showed an increase over the preceding year. Net sales were the highest in Safeway's history. Uninterrupted dividends on all outstanding stock have been paid since the Company's incorporation in 1926.

NET SALES HIGHEST IN HISTORY

Again in 1952, total aggregate net sales of Safeway Stores, Incorporated and its subsidiaries set a new record, totaling $1,639,095,212, an increase of $184,452,216, or 12.68% over net sales in 1951.

EARNINGS AND DIVIDENDS

After deducting preferred stock dividends of $1,641,948, earnings amounted to $2.01 per share of common stock. This compares with earnings in the previous year of $2.26 per share of common stock. Dividend requirements on the 4% cumulative preferred stock and the 4½% cumulative convertible preferred were earned 3.51 times. Cash dividends were paid on the common stock at the rate of $2.40 per share.

NET PROFITS INCREASED

(Before Taxes)

The net profit before income taxes for 1952 was $17,094,348 as compared with $13,318,809 in 1951. After allowing for a refund of excess profits taxes in the amount of $1,157,000 in 1951 and payment of increased income taxes in 1952, the net profit after taxes on income for 1952 was $7,331,943 as compared with $7,615,851 in 1951.

ASSETS AND LIABILITIES

Total net assets of Safeway and all subsidiaries on December 31, 1952 totaled $132,273,480. Total current assets of the same date were $232,344,580, and total current liabilities were $142,948,472.

The ratio of current assets to current liabilities on a fully consolidated basis was 1.63 to 1 as against 1.39 to 1 in 1951.

15 YEAR COMPARATIVE RECORD OF SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

Year	Capital and Surplus	Net Assets Per Share of Preferred Stock	Book Value Per Share of Common Stock*	Dividends Paid Per Share of Common Stock*	Net Earnings Per Share of Common Stock*
1938	$ 48,407,475	$314	$13.84	$ .67	$1.34
1939	51,075,334	308	14.26	1.50**	2.20
1940	53,286,166	287	14.38	1.17	1.59
1941	60,007,566	270	14.87	1.17	1.64
1942	60,154,048	280	15.23	1.00	1.35
1943	61,453,200	288	15.78	1.00	1.56
1944	62,564,498	299	16.40	1.00	1.63
1945	63,604,685	311	16.97	1.00	1.59
1946	71,901,081	359	20.18	1.00	4.29
1947	76,039,946	388	21.96	1.00	2.75
1948	81,972,829	428	24.44	1.00	3.50
1949	91,236,990	488	28.22	1.25	5.04
1950	115,215,274	371	29.76	2.40	5.20
1951	113,821,747	377	29.58	2.40	2.26
1952	132,273,480	266	29.03	2.40	2.01

*Number of shares adjusted to reflect April 12, 1945 3-for-1 split.
**Paid in part in five percent preferred stock.

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MW

Answers to Inquiries

(*Continued from page* 134)

compared with a net income of $3,708,000 for 1951. Net income after preferred dividends was $2,877,000 in 1952 against $3,342,000 in 1951.

Earnings per common share in 1952 were $1.83 as contrasted with $2.24 per share in 1951. Operating results are stated to reflect the 2-for-1 common stock split of June 1952.

The year 1952 marked the company change-over to a natural gas operation, the largest undertaking of its kind in the gas industry. However, 1953 will be the first full year to show the effect of this type of operation, because only during the last four months of 1952 was natural gas distributed to all of the company's territory.

Conversion of approximately 2,000,000 appliances at a cost of nearly $21,000,000 was successfully completed, this cost to be amortized as an operating expense over ten years. Amortization began July 1st, 1952, prior to the completion of the conversion. Despite conversion activities, Brooklyn Union was able to set another new company record for sales of gas which amounted to 42,662,000,000 cubit feet. Revenues from sales of gas also reached a new high of $45,837000 which is $1,952,000 above 1951. The higher gas sales are attributed to load added through the serving of new customers and to more intensive use of gas by existing customers.

One significant rate change was the 10% reduction in rates for space heating effective August 1st, 1952. In house heating, which brought the most substantial sales growth of all domestic appliances, customers increased 13% in 1952.

With the conversion completed, the company can take a substantial amount of added load with no significant capital additions and it further points out that the character of its operations is now such that a large part of the revenues derived from new business should flow through to net income. Dividends in 1952 totalled $1.50 per share and .37½ cents quarterly has been paid thus far this year.

American Machine & Foundry Company

"Please comment on American Machine & Foundry Company's expansion and diversification program in recent years. Also please give earnings and dividends."

A. C., San Diego, Calif.

American Machine & Foundry Company's sales, rentals and royalties for 1952 amounted to $105,821,000, almost twice 1951's gross of $54,203,000, the previous record high, which was nearly double the 1950 gross of $27,517,000.

Net income for 1952, after taxes amounted to $4,167,000 which after preferred dividends was equal to $2.05 per share on 1,888,850 shares of common stock outstanding at the year end. Net income for 1951 totalled $2,711,000, equal after preferred dividends to $1.83 per share on 1,319,460 common stock shares outstanding at the end of 1951.

Unfilled orders at the end of 1952 amounted to $99,261,000 compared with a backlog of $87,727,000 at the close of 1951.

Military contracts constitute $78,280,000 of the year-end backlog. 50% of these contracts are prime. Included among the defense items being produced by the company are loaders for large automatic guns, aerial torpedoes, aircraft sub-assemblies, radar components and mechanisms for atomic projects.

Expansion Well Developed

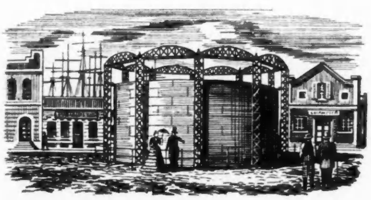
The company's expansion and diversification program is now in its fifth year. Sales of companies acquired since the program was undertaken were 31% of the 1952 sales total; 51% came from billings under government prime and subcontracts, equal to more than 2½ times the dollar billings of 1952 military production; and 18% from sales, rentals and royalties of the company's traditional lines.

The company's Automatic Pinspotter, which automatically sets up the pins and returns the ball in tenpin bowling has shown good results in operations so far, as 206 machines have been installed. The company has set production schedules for the manufacture of 1,000 Pinspotters during 1953.

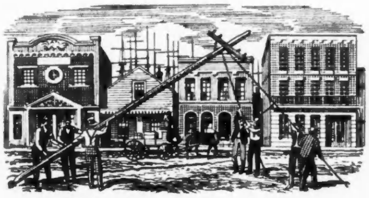
Dividends in 1952 totalled .80 cents per share and .25 cents is the current quarterly dividend.

1852 ~ Our Centennial Year ~ 1952

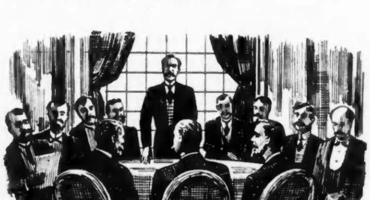
PG AND E Reports on its 100th year of Operations . . . . .



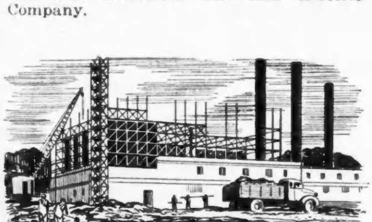
1852—One hundred years ago, August 31, 1852, the San Francisco Gas Company, first gas utility in California, and the West, was established by Peter Donahue.



1879—California Electric Light Company provided the first electric service in California. Its central station was the first in the United States and probably the world to serve customers electricity.



1905—Pacific Gas and Electric Company, incorporated October 10, 1905, consolidated California Gas and Electric Corporation and San Francisco Gas and Electric Company.



1952—Our Centennial of public service was celebrated while engaged in the largest expansion program ever undertaken by any similar utility.

Highlights OF THE YEAR'S OPERATIONS

Gross operating revenues passed the $300,000,000 mark for the first time, reaching a new peak of $313,985,000 for the year. The increase over the previous year was $34,486,000, or 12.3%.

Sales of electricity totaled 13,424,000,000 kilowatt-hours, and sales of gas 220,073,000,000 cubic feet, exceeding those of the previous year by 6.3% and 9.8%, respectively. Excluding agricultural power, which decreased because of the unusually wet year, electric sales increased 8.8%.

The addition of 107,591 new customers in 1952 resulted in a year-end total of 2,627,789. It was the sixth successive year in which we have added more than 100,000 customers.

Construction expenditures totaled $162,000,000, bringing to $978,000,000 the amount spent by the Company since the close of World War II to expand and enlarge its facilities for serving the public.

There was an increase of 9,867 in the number of those participating in the Company's ownership. At the year-end the Company was owned by 198,330 stockholders, making it one of the most widely-owned corporations in the United States.

The California Public Utilities Commission on October 15, 1952 rendered its decision on our application filed in 1951 for an increase in electric rates, concluding that the Company was entitled to an over-all increase of $32,990,000, based on estimated 1952 volume of sales.

Our Centennial was celebrated with appropriate ceremonies in 1952, in observance of the organization of the San Francisco Gas Company on August 31, 1852, our earliest predecessor utility company.

The Company was honored in receiving the Charles A. Coffin Award, in recognition of its contribution to the development of electric light and power for the convenience of the public and the benefit of the industry.

Net earnings for the common stock amounted to $2.52 per share based on the average number of shares outstanding, compared with $2.14 per share in 1951. As the result of higher electric rates placed in effect late in the year, a further improvement should be expected in the Company's earnings.

The year 1952, our Centennial Year, was in many respects one of the most satisfactory in the Company's history.

The year's events would appear to justify an optimistic outlook. Most of the Company's difficult postwar problems now have been resolved, or are in the course of solution. Needed increases in both electric and gas rates have been obtained. We have a relatively new plant in excellent condition, 58% of its dollar value having been installed since the close of World War II. Our service area continues to develop rapidly and is becoming more diversified.

The Company begins its second century of public service in as good or better condition than at any time in its long history.

President

PACIFIC GAS AND ELECTRIC COMPANY

245 MARKET STREET • SAN FRANCISCO 6, CALIFORNIA

A copy of our 1952 Annual Report to Stockholders will be supplied upon request to K. C. Christensen, Treasurer.

As I See It!

(*Continued from page* 69)

favorable mention was made of specific issues, we have tried to increase the practicality of our advice by suggesting that subscribers refer to Mr. A. T. Miller's regular market article in order to determine the most advantageous time of making any investments contemplated on the basis of our security analyses.

Although we are fully aware of the great national and international problems that will have to be met in the coming months, we do not share the pessimism expressed by some, but rather are confident that these problems will be met in the main. In any event, the pattern of selectivity has been firmly established in the market and we are convinced that adequate opportunities for profitable investment will continue to be found. To this end, the staff of this publication is bending its efforts so that our subscribers may be serviced in the most effective way possible in the months ahead.

What 1952 Balance Sheets Reveal

(*Continued from page* 78)

the absorption by rising inventories was checked last year, as stated above, but expenditures for expansion and modernization of plant and equipment continued around their record of 1951 and are, in fact, now expected to hold well into the year 1953.

Current liabilities were generally lower last year, due principally to lower tax reserves, reflecting a decline in taxable income that left little income to be subject to the top excess profits tax rate of 82 per cent; moreover, many companies had an earnings decline that provided the basis for an actual refund of excess profits taxes paid in prior years. Short-term bank loans, after expanding substantially in the early part of last year, were later liquidated—in part by funding into long-term debt.

Rise in "Current Ratio"

As a result of this combination of changes, most companies achieved an increase last year in their net working capital. Their "current ratio"—total current assets over current liabilities—rose from an average (exclusive of a limited number having extremely high or low ratios) from around 2.5 times at the year-end 1951 to 3.1 times at the end of 1952. Their "cash ratio"—cash plus marketable securities to current assets—rose from an average (again exclusive of the extremes) of around 50% in 1951 to 60% in 1952.

This marked improvement in working capital position, measured in dollar totals and in liquidity ratios, is regarded, very properly, as a favorable development. Careful statement analysis, however, calls for looking beneath the surface to discover to what extent the improvement in current position was bought at the price of long-term borrowing, rather than by building up shareholders' equity through retained earnings.

There are no grounds, of course, for blanket criticism of long-term borrowing as such, since it often is justified as not only the cheapest but also for other reasons (including income tax considerations) the most desirable means of raising additional capital. It is important, however, that the investor should understand what is taking place.

Well-known companies (please see table) which last year boosted their working capital and liquidity ratios largely through increases in long-term debt include Allis-Chalmers Manufacturing, American Tobacco, Bethlehem Steel, Burroughs Adding Machine, Caterpillar Tractor, Continental Oil, International Shoe, National Distillers, and Union

(*Please turn to page* 140)

STANDARD OIL (INDIANA)

and Subsidiaries

Report record sales and income... Financial position strengthened further

Standard Oil Company (Indiana) and its subsidiary companies strengthened their financial position during 1952. Current assets were 3.01 times current liabilities at the end of 1952, as compared with 2.37 to 1 a year before. Our sales trend continued upward—despite the handicap of refinery and steel strikes—with 2 per cent more products (in volume) being sold. Largely as a result of this record volume of sales, our total income reached a new high—$1,617,000,000...3.7 per cent more than in 1951. We produced 2 per cent more crude oil and natural gas liquids than in 1951. But with all these gains, our net earnings were down. One reason was the strike in seven of our refineries last spring. The steel strike also resulted in a loss of sales to our customers in the steel and related industries. Even more important, we were caught between rising costs and inflexible price ceilings on crude and products.

SALES IN 1952 TOTALED $1,550,000,000 compared with $1,499,000,000 in 1951, highest previous year. For the third straight year, record sales were made, both in total volume and in dollar value. Prices averaged slightly lower than in 1951 although labor and other costs rose generally.

NET EARNINGS FOR 1952 WERE $119,980,000 or $7.81 per share. This compares with $148,700,000 or $9.71 per share in 1951 and $123,580,000 or $8.09 per share in 1950. Our tax bill for 1952 was $92,677,000, equal to $6.03 per share. In addition, we collected taxes on gasoline and other petroleum products, amounting to $237,000,000, for governmental agencies.

CAPITAL EXPENDITURES increased sharply to $204,300,000 despite the steel shortage which slowed some of our drilling and construction. In 1951, $183,100,000 went for this purpose. Our major capital expenditures in 1952 were for developing new crude production, increased refining capacity, new pipelines, and improved marketing facilities. Further expansion in operations will be needed to meet a continuing increase in demand for products. In 1953 our capital expenditures are expected to be somewhat higher.

CONVERTIBLE DEBENTURES in the amount of $139,000,000 were sold in 1952 to retire more than $80,000,000 in bank loans, to finance future expansion and to provide increased working capital.

TOTAL ASSETS at the end of 1952 were $1,964,000,000 compared with $1,801,000,000 for 1951, and have more than doubled since 1945. This was largely due to the investment of more than a billion and a quarter dollars since January 1, 1946, in expanded facilities for production, manufacturing, transportation and marketing.

EMPLOYEES AT THE END OF 1952 numbered 51,440, an increase of 1,700 over 1951. The only serious work stoppage in our 63-year history took place in 1952 as part of an over-all pattern of oil industry strikes. During the year, benefits to employees were increased, without increasing the over-all cost to the employees.

NUMBER OF STOCKHOLDERS was 117,600 at the end of 1952. The largest amount of our stock any one person owns is less than 1% of the total; the largest amount any institution owns is less than 4%. Dividends were paid in 1952 for the 59th consecutive year. As in the past, this year's reinvestment of profits has increased the stockholders' equity—to $88.33 per share on Dec. 31.

CONSOLIDATED STATEMENT OF INCOME

and Earnings Retained and Invested in the Business for the Years 1952 and 1951

	1952	1951
Sales and operating revenues	$1,592,122,143	$1,539,119,806
Dividends, interest, and other income	24,772,976	19,927,173
Total income	$1,616,895,119	$1,559,046,979
DEDUCT:		
Materials used, salaries and wages, operating and general expenses other than those shown below	$1,294,419,369	$1,180,806,361
Depreciation, depletion, and amortization of properties—		
Depreciation	58,031,915	51,122,254
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	37,702,958	35,849,657
Federal income and excess profits taxes	52,551,000	91,703,000
Other taxes (exclusive of taxes amounting to $236,814,801 in 1952 and $205,883,340 in 1951 collected from customers for government agencies)	40,125,708	38,731,649
Interest expense	8,671,862	6,102,700
Minority stockholders' interest in net earnings of subsidiaries	5,410,869	6,034,002
Total deductions	$1,496,913,681	$1,410,349,623
Net earnings	$ 119,981,438	$ 148,697,356
Dividends paid by Standard Oil Company (Indiana)—		
Regular dividends paid wholly in cash—$2.50 per share in 1952 and $2.25 in 1951	$ 38,368,232	$ 34,436,449
Extra dividends paid in capital stock of Standard Oil Company (New Jersey)—278,246 shares in 1952 and 339,160 shares in 1951 at average carrying value—together with equalizing cash payments in lieu of fractional shares. Market values on dates of distribution were equivalent to $1.5187 in 1952 and $1.7037 in 1951 per share on Standard Oil Company (Indiana) stock	8,502,709	10,563,892
Total dividends paid	$ 46,870,941	$ 45,000,341
Balance of earnings retained	$ 73,110,497	$ 103,697,015
Earnings retained and invested in the business at beginning of year	773,259,988	669,562,973
Prior years' reserve no longer required for investment	8,462,720	—
Earnings retained and invested in the business at end of year	$ 854,833,205	$ 773,259,988

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THE STORY IN FIGURES

	1952	1951	1950
FINANCIAL			
Total income	$1,617,000,000	$1,559,000,000	$1,318,000,000
Net earnings	119,980,000	148,700,000	123,580,000
Net earnings per share	$7.81	$9.71	$8.09
Dividends paid	$ 46,870,000	$ 45,000,000	$ 41,210,000
Dividends paid per share	$4.019*	$3.954*	$3.135*
Earnings retained in the business	$ 73,110,000	$ 103,700,000	$ 82,370,000
Capital expenditures	$ 204,300,000	$ 183,100,000	$ 127,400,000
Net worth, at the year end	$1,357,000,000	$1,272,000,000	$1,166,000,000
Book value per share, at the year end	$88.33	$83.00	$76.27
PRODUCTION			
Crude oil and natural gas liquids produced, net, barrels	97,300,000	95,210,000†	78,180,000†
Oil wells owned, net, at the year end	9,194	9,043	8,724
Gas wells owned, net, at the year end	1,307	1,106	945
MANUFACTURING			
Crude oil run at refineries, barrels	185,300,000	187,600,000	168,700,000
Crude running capacity, at year end, barrels per day	569,000	548,000	499,500
MARKETING			
Total sales in dollars	$1,550,000,000	$1,499,000,000	$1,268,000,000
Bulk plants operated, at the year end	4,539	4,528	4,521
Retail outlets served, at the year end	31,040	31,130	31,020
TRANSPORTATION			
Pipelines owned, at the year end, miles	16,740	16,180	15,440
Pipeline traffic, million barrel miles	138,900	142,000†	129,200
Tanker and barge traffic, million barrel miles	97,850	99,510	102,400
PEOPLE			
Stockholders, at the year end	117,600	116,800	96,090
Employees, at the year end	51,440	49,740	46,740

*Including $1.519 in 1952, $1.704 in 1951, and $1.135 in 1950 as the market value of the dividends in capital stock of Standard Oil Company (New Jersey) on the respective dates of distribution.

†Revised figures.

What 1952 Balance Sheets Reveal?

(*Continued from page* 138)

Carbide.

Another category of producers, whose current ratios at the year-end 1952 were below average, but which then had no long-term debt outstanding, include American Sugar Refining, Chrysler Corporation, Curtiss-Wright, Ingersoll-Rand, and Philco. Baldwin-Lima-Hamilton had only a relatively small term loan payable—$3 million, reduced from $4 million during the year.

Sources and Uses of Cash

A corporation balance sheet tends to give a false impression of exactness, worked out as it is to the last penny for every item. Total assets just balance the total liabilities, reserves, and capital, with the changes among these various items therefore also just balancing.

Actually, as the certified public accountants who construct such statements are the first to admit, the asset items—except for cash and securities—do not represent exact values at all but merely estimates or conventional book values. No one can say exactly what the inventories will sell for, how much loss there may be in the collection of the receivables, or what the plant and machinery may be worth over their useful life.

For this reason, it is essential to look behind the balance sheet changes to determine the cash flow, which is the real life blood of business. How is the current turnover of funds running—from inventories into reecivables, into cash, and back into inventories? How much cash is being generated by the net earnings (squeezed in many cases last year), after allowance for taxes and for dividend payments at present or possibly altered rates? How much cash is being "thrown off" by the bookkeeping charges for depreciation and depletion which, as indicated by the table, are being stepped up in almost all cases in accordance with the expansion of gross property investment on which they are based? How much cash is being obtained from long-term financing—either debt, or the sale of additional stock?

On the side of cash uses, how much will continue to be absorbed in rising inventories and receivables, or instead may these be liquidated and thereby release cash? Is the concern's plant modernization program now rounded out, ending the heavy outlays for that purpose? Is cash being used for amortizing long-term debt or retiring preferred stock? Will the further acceleration this year of federal income tax instalments to a total of 80% payable by June 15 cause a pinch of cash? Will more liberal dividends be paid, or might cash be used for expansion by acquiring another company? These are the vital factors to be considered.

Values Not on Balance Sheets

Many of the most important values of a business are not shown accurately, if at all, on the face of its balance sheet and must be looked for elsewhere; nevertheless, a searching analysis of balance sheet changes together with the income account often provides useful guides for judging such values.

Net book values, for example, of properties acquired years ago are carried at far below present-day replacement costs, yet recent construction at high costs is promptly being written down by depreciation charges so that its value also is understated and distorted. What of the efficiency of the plants for low-cost production, at varying rates of operation? What of the "hidden assets" in the form of city real estate, or reserves of oil, minerals, timber, and the like, which could never be duplicated but are carried at only nominal values?

A whole range of intangibles cannot be appraised for balance sheet presentation, yet in the case of many nationally-known industrial enterprises have values almost fantastic. Taking the group in our table, for example, who can say as to the real worth of their management, organization, experience, goodwill, trade names, and dealer contacts — built up through generations of earnest and costly effort? How much allowance should be added for a company's earning power as demonstrated in the past, its record of dividend disbursements, its reputation among investors, and its known future prospects?

These valuable intangibles

(*Please turn to page* 142)

What 1952 Balance Sheets Reveal?

(*Continued from page* 141)

probably should, in the case of most leading companies, more than offset certain direct or contingent liabilities which the balance sheet often fails to disclose. These include commitments for profit sharing by officers and other employes, pension and stock purchase plans, long-term contracts, leases, etc. – sometimes called "shadows across the balance sheets".

–Market Adjustment Still Incomplete–

(*Continued from page* 71)

discounting the "defeat" of Eisenhower?

It is not suggested here that market performance can be ignored. Right or wrong, it makes the price you get for a sale or pay for a buy. It is suggested that, regardless of market performance, you will be well advised to keep your feet on the ground; to avoid being stampeded, which amounts to letting others make up your mind for you; and to put the emphasis on reasonably measured appraisal values in deciding which individual securities should be held or sold. It is a fact that a great deal more money has been made on long-pull retention of selected stocks than by "playing the market." It is a fact that the odds against a profitable turn-around – sale of all equity holdings and later re-entry in the marketare heavy, including normal margin for error in timing sales and purchases, tax on profits cashed and the two-way transaction costs.

There is no basis in the stock market for a debacle remotely comparing with the 89% 1929-1932 decline of the industrial average. Since this has been the most conservative major bull market of our time, in terms of average price-earnings ratios and yields, and the most selective one, it is difficult to imagine potentiality for the near-50% declines of 1919-1921 or 1937-1938. Assuming a fairly moderate economic adjustment starting later this year—cushioned by tax relief, by a reversal of credit restriction in central-banking policy, and by other Federal anti-deflation moves—the stock market's deflation potential, measured from high, might compare with or moderately exceed the 15% to 23% swings of 1948-1949 and 1946-1947. Whether what we have had is the first phase of such a swing, or a limited emotional sell-off, is presently indeterminate.

If you have followed our advices, your position is a comfortable one. You hold reserves of about 40% in cash or equivalent. You have been paring down holdings of speculative and cyclical stocks in periods of market strength. You have been increasing the percentage of funds in high-grade fixed-income securities and defensive-type stable-dividend common stocks. You have switched out of some inferior stocks into good-value special situations cited elsewhere in our pages. For others, the advices still stand; and following them will require some selective selling on sizable rallies. At worst, there will be sizable rallies.

You have already been deluged with guesses and opinions about the meaning of the Communist maneuvers. We will not add to the discussion here, except to say that we take the whole thing with a big grain of salt. Don't get excited. Even the first of the tests —peace terms for Korea — could stretch out for months.

—Monday, April 13.

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BEFORE Russian peace moves set off a market decline Forecast subscribers had been advised to keep 56% of their investments in cash . . . awaiting our new recommendations at lower levels.

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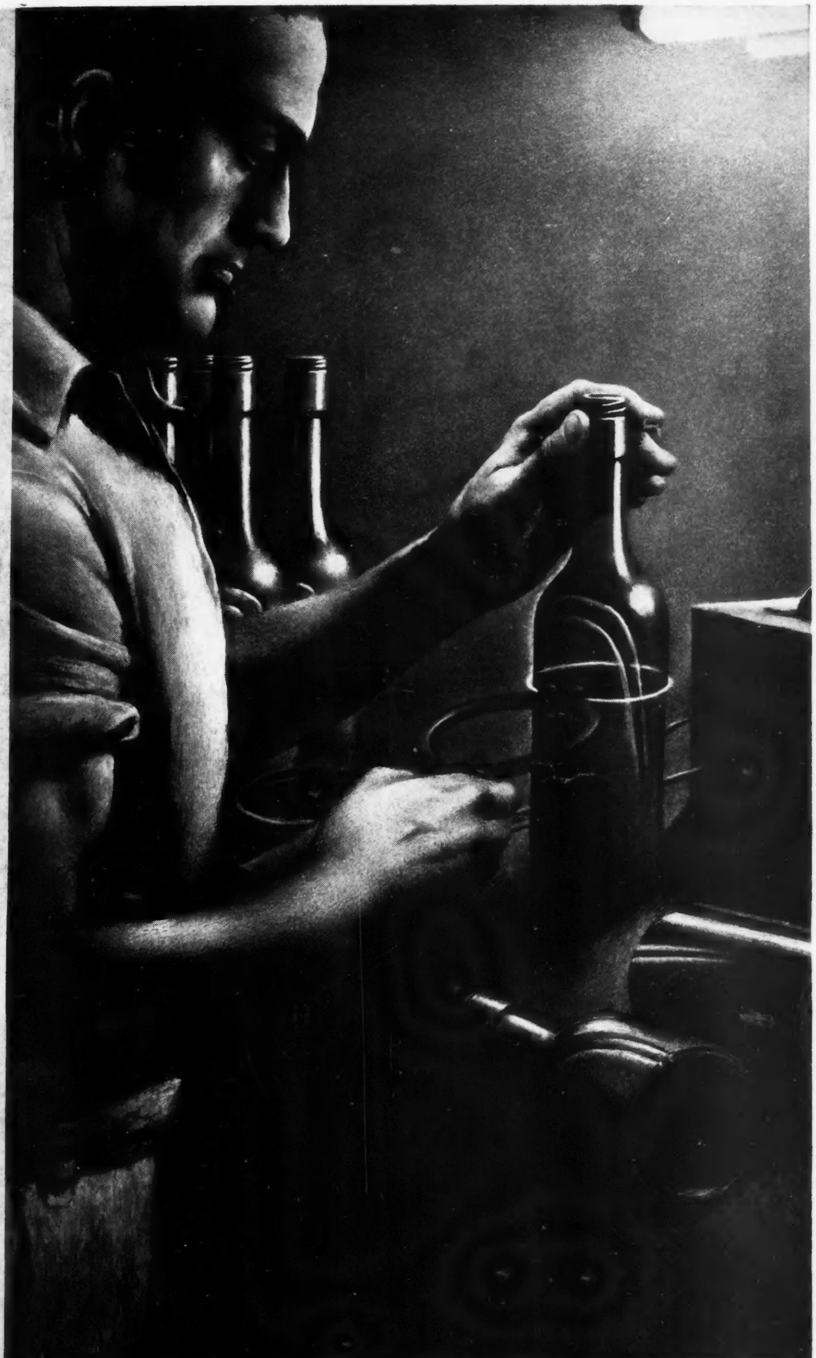


He squeezes bottles in half

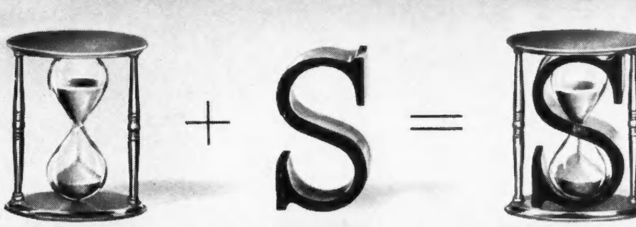
Empty bottles march on parade down the long conveyors in the Schenley distillery. As they reach the inspection stand, a man pulls a bottle here, a bottle there, from the line.

He loops a glowing, red-hot wire noose over the bottle. With a quick squeeze, the noose is drawn tight and the bottle is cut neatly in half. Then the man measures the thickness of the glass (which must not vary over .040 of an inch from Schenley standards) to make certain that it's strong throughout.

All in all, a Schenley bottle is inspected for more than 50 different items of construction and appearance. For it must live up to the quality of the whiskey it holds.

Bottle-testing goes hand in hand with the scrupulous selection of grain, water, yeast, and barrels . . . with the firm control of distilling, aging and blending. It is a link in the network of quality controls which guards Schenley whiskies. Guards their goodness from the time the grain is grown till, years later, the whiskey is in your glass.

That's your assurance of getting the utmost enjoyment in every drop of every drink. *Schenley Distillers, Inc., New York, N. Y.* ©1953



SCHENLEY

Nature's unhurried goodness + Schenley's unmatched skill = The best-tasting whiskies in ages